

A-H-S-T COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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A-H-S-T Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Bernadette Hatch	President	2017
Allen Cordes	Vice President	2015
Russell Sturm	Board Member	2015
Kimberly Wise	Board Member	2015
Amber Carcel	Board Member	2017
Robb Jacobsen	Board Member	2017
Steve Kock	Board Member	2017
<b>School Officials</b>		
Jesse Ulrich	Superintendent	2015
Kelly Allen	Board Secretary/Treasurer and School Business Official	2015
Brian Gruhn	Attorney	2015

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District, Avoca, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District as of June 30, 2015, 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.

## **Emphasis of Matter**

As discussed in Note 16 to the financial statements, A-H-S-T Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise A-H-S-T Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 24, 2016 on our consideration of A-H-S-T Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering A-H-S-T Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2016  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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A-H-S-T Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,847,076 in fiscal year 2014 to \$6,344,505 in fiscal year 2015, while General Fund expenditures increased from \$6,202,970 in fiscal year 2014 to \$6,971,019 in fiscal year 2015. The District's General Fund balance decreased from \$1,649,947 at June 30, 2014 to \$1,023,433 at June 30, 2015, a decrease of 37.97% from the prior year.
- The increase in General Fund revenues was due primarily to increases in state source and other revenues received in fiscal year 2015. The increase in expenditures was due primarily to an increase in expenses incurred in the instruction functional area.

### **USING THIS ANNUAL REPORT**

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

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

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

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

Notes to 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

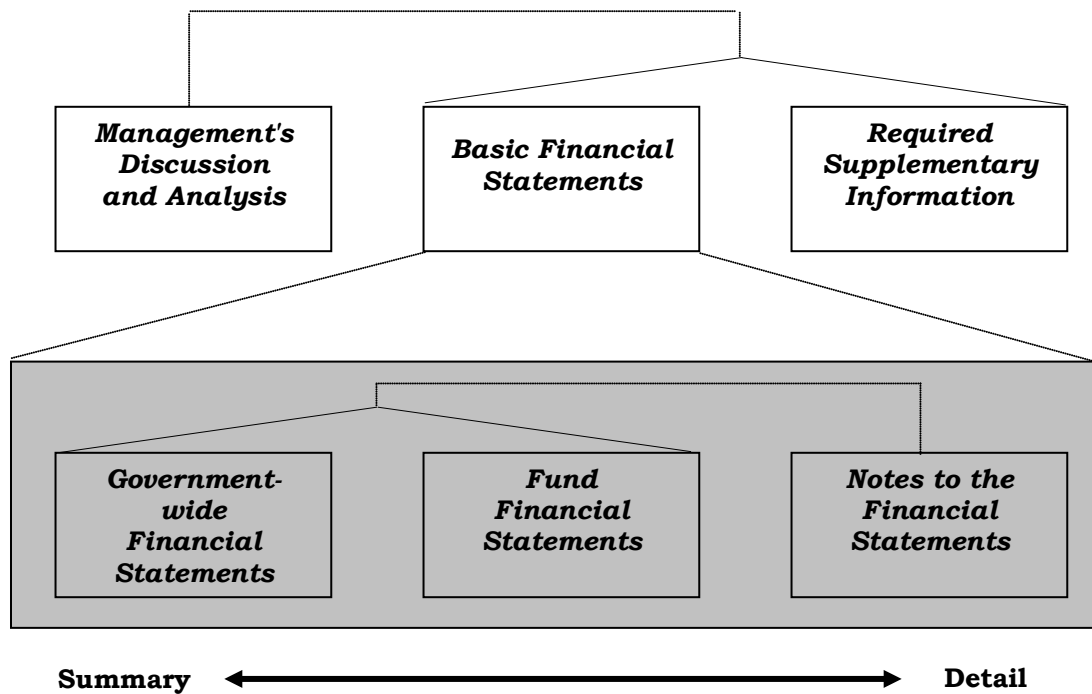




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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 deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
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.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and other assets	\$ 6,396,897	6,922,645	54,070	86,238	6,450,967	7,008,883	-7.96%
Capital assets	9,650,488	9,221,298	104,513	68,383	9,755,001	9,289,681	5.01%
Total assets	16,047,385	16,143,943	158,583	154,621	16,205,968	16,298,564	-0.57%
Deferred outflows of resources	514,346	-	11,400	-	525,746	-	100.00%
Long-term obligations	5,932,335	4,967,352	46,054	-	5,978,389	4,967,352	20.35%
Other liabilities	867,797	620,430	17,712	17,286	885,509	637,716	38.86%
Total liabilities	6,800,132	5,587,782	63,766	17,286	6,863,898	5,605,068	22.46%
Deferred inflows of resources	4,215,102	3,294,094	17,564	-	4,232,666	3,294,094	28.49%
Net position:							
Net investment in capital assets	6,110,488	4,986,298	104,513	68,383	6,215,001	5,054,681	22.96%
Restricted	727,979	1,027,998	-	-	727,979	1,027,998	-29.18%
Unrestricted	(1,291,970)	1,247,771	(15,860)	68,952	(1,307,830)	1,316,723	-199.32%
Total net position	\$ 5,546,497	7,262,067	88,653	137,335	5,635,150	7,399,402	-23.84%

The District's combined net position decreased by \$1,764,252, or 23.84% from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$300,019, or 29.18%. The decrease in restricted net position is due in part to the decrease in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased by \$2,624,553, or 199.32%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,288,313 and \$55,069, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 859,396	613,744	163,381	149,449	1,022,777	763,193	34.01%
Operating grants, contributions and restricted interest	644,801	604,464	157,593	150,170	802,394	754,634	6.33%
Capital grants, contributions and restricted interest	5,000	-	-	-	5,000	-	100.00%
General revenues and transfers:							
Property tax	3,177,084	2,694,869	-	-	3,177,084	2,694,869	17.89%
Income surtax	316,745	345,951	-	-	316,745	345,951	-8.44%
Statewide sales, services and use tax	565,031	517,875	-	-	565,031	517,875	9.11%
Unrestricted state grants	2,563,072	2,413,083	-	-	2,563,072	2,413,083	6.22%
Unrestricted investment earnings	6,153	5,799	-	-	6,153	5,799	6.10%
Other general revenues	57,566	58,417	785	2,159	58,351	60,576	-3.67%
Total revenues	8,194,848	7,254,202	321,759	301,778	8,516,607	7,555,980	12.71%
Program expenses:							
Instruction	5,082,509	5,356,974	-	-	5,082,509	5,356,974	-5.12%
Support services	1,821,902	1,954,594	21,440	618	1,843,342	1,955,212	-5.72%
Non-instructional programs	-	-	293,932	286,852	293,932	286,852	2.47%
Other expenditures	717,694	700,149	-	-	717,694	700,149	2.51%
Total expenses	7,622,105	8,011,717	315,372	287,470	7,937,477	8,299,187	-4.36%
Change in net position	572,743	(757,515)	6,387	14,308	579,130	(743,207)	177.92%
Net position beginning of year, as restated	4,973,754	8,019,582	82,266	123,027	5,056,020	8,142,609	-37.91%
Net position end of year	\$ 5,546,497	7,262,067	88,653	137,335	5,635,150	7,399,402	-23.84%

In fiscal year 2015, property tax and unrestricted state grants accounted for 70.05% of the revenue from governmental activities while charges for service and sales and operating grants and contributions accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$8.51 million, of which approximately \$8.19 million was for governmental activities and approximately \$0.32 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12.71% increase in revenues and an 4.36% decrease in expenses. The biggest decrease in expenses occurred in the instruction functional area.

### Governmental Activities

Revenues for governmental activities were \$8,194,848 and expenses were \$7,622,105.

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, 2015 compared to the year ended June 30, 2014.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 5,082,509	5,356,974	-5.12%	3,939,537	4,377,137	-10.00%
Support services	1,821,902	1,954,594	-6.79%	1,697,596	1,954,594	-13.15%
Other expenditures	717,694	700,149	2.51%	475,775	461,778	3.03%
Totals	\$ 7,622,105	8,011,717	-4.86%	6,112,908	6,793,509	-10.02%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$859,396.
- Federal and state governments and local sources subsidized certain programs with grants and contributions totaling \$649,801.
- The net cost of governmental activities was financed with \$3,177,084 in property tax, \$316,745 in income surtax, \$565,031 in statewide sales, services and use tax, \$2,563,072 in unrestricted state grants, \$6,153 in interest income and \$57,566 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$321,759 and expenses were \$315,372. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenues.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,768,675, below last year's ending fund balances of \$2,747,008. The primary reason for the decrease in combined fund balances in fiscal year 2015 is due to the decrease in fund balance of the General Fund.

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## **Governmental Fund Highlights**

- The District's decreasing General Fund financial position is the product of many factors. The District received increased State and Federal revenues as compared to the prior year, which resulted in an increase in total revenues. However, the increase in revenues was more than offset by the increase in instructional and support services expenditures causing a decrease in General Fund balance from \$1,649,947 at June 30, 2014 to \$1,023,433 at June 30, 2015.
- The Capital Projects Fund balance decreased from \$456,909 at June 30, 2014 to \$140,394 at June 30, 2015. This can be attributed to an increase in spending in the support services functional area during fiscal 2015 as compared to the prior year.
- The Debt Service Fund balance decreased from \$17,047 at June 30, 2014 to a deficit \$1,437 at June 30, 2015. The decrease was due to increased payments on the Districts long term general obligation debt.

## **Proprietary Fund Highlights**

- The School Nutrition Fund net position increased from a restated \$82,266 at July 1, 2014 to \$88,653 at June 30, 2015, representing an increase of 7.76%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, A-H-S-T Community School District amended its budget one time to reflect additional expenditures in all functional areas.

The District's revenues were \$258,926 more than budgeted revenues, a variance of 3.14%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$9,755,001, 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 increase of 5.01% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$387,728.

The original cost of the District's capital assets was \$13,678,085. Governmental funds account for \$13,491,809 with the remainder of \$186,276 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$332,516 at June 30, 2015, compared to \$0 reported at June 30, 2014. This increase resulted from architect fees for the planned K-12 addition and renovation project.

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,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 376,828	301,028	-	-	376,828	301,028	25.18%
Construction in progress	332,516	-	-	-	332,516	-	100.00%
Buildings	7,578,029	7,595,639	-	-	7,578,029	7,595,639	-0.23%
Land improvements	1,060,544	1,137,974	-	-	1,060,544	1,137,974	-6.80%
Machinery and equipment	302,571	186,657	104,513	68,383	407,084	255,040	59.62%
Total	\$ 9,650,488	9,221,298	104,513	68,383	9,755,001	9,289,681	5.01%

### Long-Term Debt

At June 30, 2015, the District had long-term debt outstanding of \$5,978,389. This represents an increase of 20.35% from the prior year. (See Figure A-4) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding general obligation bonds of \$3,540,000 at June 30, 2015.

At June 30, 2015, the District had an outstanding computer lease obligation of \$128,909 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$180,000 at June 30, 2015.

The District had a net pension liability of \$1,959,749 at June 30, 2015. \$1,913,695 was attributable to the governmental activities of the District with the remaining \$46,054 attributable to the business type activities of the District.

The District had a net other postemployment benefits liability of \$169,731 at June 30, 2015.

Figure A-6							
Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
General obligation bonds	\$ 3,540,000	4,235,000	-	-	3,540,000	4,235,000	-16.41%
Computer lease	128,909	325,426	-	-	128,909	325,426	100.00%
Termination benefits	180,000	270,000	-	-	180,000	270,000	-33.33%
Net pension liability	1,913,695	-	46,054	-	1,959,749	-	100.00%
Net OPEB liability	169,731	136,926	-	-	169,731	136,926	23.96%
Total	\$ 5,932,335	4,967,352	46,054	-	5,978,389	4,967,352	20.35%

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The A-H-S-T Community School District and Walnut Community School District are in the second year of whole-grade sharing. There was a successful reorganization public referendum in September of 2015. The reorganized district, AHSTW Community School District, will take affect July 1, 2016.
- The combined district enrollment for AHSTW has increased slightly over the last three years. AHSTW Community School District will have a certified enrollment of 785 students.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



## BASIC FINANCIAL STATEMENTS

A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,161,704	48,903	2,210,607
Receivables:			
Property tax:			
Delinquent	26,721	-	26,721
Succeeding year property tax	3,485,274	-	3,485,274
Income surtax	290,605	-	290,605
Accounts	72	-	72
Due from other governments	432,113	-	432,113
Inventories	-	5,167	5,167
Prepaid expenses	408	-	408
Capital assets, net of accumulated depreciation	9,650,488	104,513	9,755,001
<b>Total Assets</b>	<b>16,047,385</b>	<b>158,583</b>	<b>16,205,968</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	514,346	11,400	525,746
<b>Liabilities</b>			
Accounts payable	237,779	-	237,779
Salaries and benefits payable	592,535	14,442	606,977
Accrued interest payable	15,454	-	15,454
Advances from grantors	22,029	-	22,029
Unearned revenue	-	3,270	3,270
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	260,000	-	260,000
Computer lease payable	128,909	-	128,909
Termination benefits payable	90,000	-	90,000
Portion due after one year:			
General obligation bonds payable	3,280,000	-	3,280,000
Termination benefits payable	90,000	-	90,000
Net pension liability	1,913,695	46,054	1,959,749
Net OPEB liability	169,731	-	169,731
<b>Total Liabilities</b>	<b>6,800,132</b>	<b>63,766</b>	<b>6,863,898</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenues	3,485,274	-	3,485,274
Pension related deferred inflows	729,828	17,564	747,392
<b>Total Deferred Inflows of Resources</b>	<b>4,215,102</b>	<b>17,564</b>	<b>4,232,666</b>
<b>Net Position</b>			
Net investment in capital assets	6,110,488	104,513	6,215,001
Restricted for:			
Categorical funding	108,775	-	108,775
Management levy purposes	422,532	-	422,532
Student activities	56,278	-	56,278
School infrastructure	92,516	-	92,516
Physical plant and equipment	47,878	-	47,878
Unrestricted	(1,291,970)	(15,860)	(1,307,830)
<b>Total Net Position</b>	<b>\$ 5,546,497</b>	<b>88,653</b>	<b>5,635,150</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	Expenses						
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,256,105	511,934	109,138	-	(2,635,033)	-	(2,635,033)
Special	714,121	59,535	30,089	-	(624,497)	-	(624,497)
Other	1,112,283	168,621	263,655	-	(680,007)	-	(680,007)
	<u>5,082,509</u>	<u>740,090</u>	<u>402,882</u>	<u>-</u>	<u>(3,939,537)</u>	<u>-</u>	<u>(3,939,537)</u>
Support services:							
Student	73,135	8,982	-	-	(64,153)	-	(64,153)
Instructional staff	177,667	18,347	-	-	(159,320)	-	(159,320)
Administration	818,663	91,977	-	-	(726,686)	-	(726,686)
Operation and maintenance of plant	378,532	-	-	5,000	(373,532)	-	(373,532)
Transportation	373,905	-	-	-	(373,905)	-	(373,905)
	<u>1,821,902</u>	<u>119,306</u>	<u>-</u>	<u>5,000</u>	<u>(1,697,596)</u>	<u>-</u>	<u>(1,697,596)</u>
Long-term debt interest	<u>180,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(180,935)</u>	<u>-</u>	<u>(180,935)</u>
Other expenditures:							
AEA flowthrough	241,919	-	241,919	-	-	-	-
Depreciation(unallocated)*	294,840	-	-	-	(294,840)	-	(294,840)
	<u>536,759</u>	<u>-</u>	<u>241,919</u>	<u>-</u>	<u>(294,840)</u>	<u>-</u>	<u>(294,840)</u>
Total governmental activities	<u>7,622,105</u>	<u>859,396</u>	<u>644,801</u>	<u>5,000</u>	<u>(6,112,908)</u>	<u>-</u>	<u>(6,112,908)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	21,440	-	-	-	-	(21,440)	(21,440)
Non-instructional programs:							
Food service operations	293,932	163,381	157,593	-	-	27,042	27,042
Total business type activities	315,372	163,381	157,593	-	-	5,602	5,602
Total	<u>\$ 7,937,477</u>	<u>1,022,777</u>	<u>802,394</u>	<u>5,000</u>	<u>(6,112,908)</u>	<u>5,602</u>	<u>(6,107,306)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 2,235,466	-		2,235,466
Capital outlay				102,404	-		102,404
Debt service				839,214	-		839,214
Income surtax				316,745	-		316,745
Statewide sales, services and use tax				565,031	-		565,031
Unrestricted state grants				2,563,072	-		2,563,072
Unrestricted investment earnings				6,153	-		6,153
Other				57,566	785		58,351
Total general revenues				<u>6,685,651</u>	<u>785</u>		<u>6,686,436</u>
Change in net position				572,743	6,387		579,130
Net position beginning of year, as restated				<u>4,973,754</u>	<u>82,266</u>		<u>5,056,020</u>
Net position end of year				<u>\$ 5,546,497</u>	<u>88,653</u>		<u>5,635,150</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,530,868	20,400	2,017	608,419	2,161,704
Receivables:					
Property tax:					
Delinquent	17,921	824	6,737	1,239	26,721
Succeeding year	2,298,351	324,635	862,288	-	3,485,274
Income surtax	290,605	-	-	-	290,605
Accounts	72	-	-	-	72
Due from other funds	10,191	41,788	-	-	51,979
Due from other governments	344,357	87,756	-	-	432,113
Prepaid expenses	408	-	-	-	408
<b>Total Assets</b>	<b>\$ 4,492,773</b>	<b>475,403</b>	<b>871,042</b>	<b>609,658</b>	<b>6,448,876</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 224,032	10,374	-	3,373	237,779
Salaries and benefits payable	592,535	-	-	-	592,535
Due to other funds	41,788	-	10,191	-	51,979
Advances from grantors	22,029	-	-	-	22,029
Total liabilities	880,384	10,374	10,191	3,373	904,322
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,298,351	324,635	862,288	-	3,485,274
Income surtax	290,605	-	-	-	290,605
Total deferred inflows of resources	2,588,956	324,635	862,288	-	3,775,879
Fund balances:					
Nonspendable	408	-	-	-	408
Restricted for:					
Categorical funding	108,775	-	-	-	108,775
Management levy purposes	-	-	-	602,532	602,532
Student activities	-	-	-	56,278	56,278
School infrastructure	-	92,516	-	-	92,516
Physical plant and equipment	-	47,878	-	-	47,878
Unassigned:					
General	914,250	-	-	-	914,250
Debt service	-	-	(1,437)	-	(1,437)
Student activities	-	-	-	(52,525)	(52,525)
Total fund balances	1,023,433	140,394	(1,437)	606,285	1,768,675
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,492,773</b>	<b>475,403</b>	<b>871,042</b>	<b>609,658</b>	<b>6,448,876</b>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

<b>Total fund balances of governmental funds(page 20)</b>	<b>\$ 1,768,675</b>
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,650,488
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(15,454)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	290,605
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	\$ 514,346
Deferred inflows of resources	<u>(729,828)</u>
	(215,482)
Long-term liabilities, including general obligation bonds payable, computer leases payable, termination benefits payable net pension liability, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,932,335)</u>
<b>Net position of governmental activities(page 18)</b>	<b><u><u>\$ 5,546,497</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,394,882	102,404	839,214	144,374	3,480,874
Tuition	553,458	-	-	-	553,458
Other	215,780	5,621	148	166,606	388,155
Intermediate sources	46,006	-	-	-	46,006
State sources	2,933,087	566,534	10,191	2,296	3,512,108
Federal sources	201,292	-	-	-	201,292
Total revenues	6,344,505	674,559	849,553	313,276	8,181,893
Expenditures:					
Current:					
Instruction:					
Regular	3,252,765	53,542	-	93,916	3,400,223
Special	724,397	-	-	-	724,397
Other	953,966	-	-	168,800	1,122,766
	4,931,128	53,542	-	262,716	5,247,386
Support services:					
Student	79,469	-	-	-	79,469
Instructional staff	180,518	-	-	-	180,518
Administration	768,547	45,035	-	33,455	847,037
Operation and maintenance of plant	451,329	111,535	-	24,663	587,527
Transportation	318,109	168,950	-	9,262	496,321
	1,797,972	325,520	-	67,380	2,190,872
Capital outlay	-	449,515	-	-	449,515
Long-term debt:					
Principal	-	-	891,517	-	891,517
Interest and fiscal charges	-	-	182,018	-	182,018
	-	-	1,073,535	-	1,073,535
Other expenditures:					
AEA flowthrough	241,919	-	-	-	241,919
Total expenditures	6,971,019	828,577	1,073,535	330,096	9,203,227
Excess(Deficiency) of revenues over(under) expenditures	(626,514)	(154,018)	(223,982)	(16,820)	(1,021,334)
Other financing sources(uses):					
Transfer in	-	-	205,498	-	205,498
Transfer out	-	(205,498)	-	-	(205,498)
Sale of equipment	-	1,001	-	-	1,001
Sale of real property	-	42,000	-	-	42,000
Total other financing sources(uses)	-	(162,497)	205,498	-	43,001
Change in fund balances	(626,514)	(316,515)	(18,484)	(16,820)	(978,333)
Fund balances beginning of year	1,649,947	456,909	17,047	623,105	2,747,008
Fund balances end of year	\$ 1,023,433	140,394	(1,437)	606,285	1,768,675

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

**Change in fund balances - total governmental funds(page 22)** \$ (978,333)

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

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

Capital outlay	\$ 802,063	
Depreciation expense	<u>(372,873)</u>	429,190

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

1,083

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

891,517

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

12,955

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

322,582

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

Termination benefits	\$ 90,000	
Pension expense	(163,446)	
Other postemployment benefits	<u>(32,805)</u>	<u>(106,251)</u>

**Change in net position of governmental activities(page 19)** \$ 572,743

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	Enterprise, School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 48,903
Inventories	5,167
Total current assets	<u>54,070</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	104,513
<b>Total assets</b>	<u>158,583</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>11,400</u>
<b>Liabilities</b>	
Current liabilities:	
Salaries and benefits payable	14,442
Unearned revenue	3,270
Total current liabilities	<u>17,712</u>
Noncurrent liabilities:	
Net pension liability	46,054
<b>Total liabilities</b>	<u>63,766</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>17,564</u>
<b>Net Position</b>	
Net investment in capital assets	104,513
Unrestricted	<u>(15,860)</u>
<b>Total net position</b>	<u>\$ 88,653</u>

SEE NOTES TO FINANCIAL STATEMENTS.



A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Enterprise, School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 163,381
Miscellaneous	785
Total operating revenues	<u>164,166</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	<u>21,440</u>
Non-instructional programs:	
Food service operations:	
Salaries	80,502
Benefits	11,730
Supplies	184,984
Depreciation	14,855
Other	1,861
	<u>293,932</u>
Total operating expenses	<u>315,372</u>
Operating loss	<u>(151,206)</u>
Non-operating revenues:	
State sources	2,918
Federal sources	154,675
Total non-operating revenues	<u>157,593</u>
Increase in net position	6,387
Net position beginning of year, as restated	<u>82,266</u>
Net position end of year	<u>\$ 88,653</u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Enterprise, School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 163,438
Cash received from miscellaneous	785
Cash payments to employees for services	(94,500)
Cash payments to suppliers for goods or services	(195,402)
Net cash used in operating activities	<u>(125,679)</u>
Cash flows from non-capital financing activities:	
State grants received	2,918
Federal grants received	139,294
Net cash provided by non-capital financing activities	<u>142,212</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(50,985)</u>
Net decrease in cash and pooled investments	(34,452)
Cash and pooled investments beginning of year	<u>83,355</u>
Cash and pooled investments end of year	<u><u>\$ 48,903</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (151,206)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	15,381
Depreciation	14,855
Increase in inventories	(2,498)
Decrease in accounts receivable	214
Increase in salaries and benefits payable	583
Decrease in net pension liability	(15,801)
Increase in deferred outflows of resources	(4,614)
Increase in deferred inflows of resources	17,564
Decrease in unearned revenue	<u>(157)</u>
Net cash used in operating activities	<u><u>\$ (125,679)</u></u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2015, the District received \$15,381 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 481,659</u>
<b>Liabilities</b>	<u>-</u>
<b>Net position</b>	
Held in trust for scholarships	<u><u>\$ 481,659</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 3,972
Donations	326
Total revenues	<u>4,298</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>8,300</u>
Change in net position	(4,002)
Net position beginning of year	<u>485,661</u>
Net position end of year	<u>\$ 481,659</u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 1. Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

### C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each

year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

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

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

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

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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



Advances from Grantors - Consists of unspent grant proceeds that have been received but not spent in the current period.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

#### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, District expenditures exceeded the amounts budgeted in the instruction, support services and other expenditures functional areas as well as in total.

#### **Note 2. Cash and Pooled Investments**

The District's deposits at June 30, 2015 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, 2015, the District had no such investments.

### **Note 3. Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 301,028	75,800	-	376,828
Construction in progress	-	332,516	-	332,516
Total capital assets not being depreciated	301,028	408,316	-	709,344
Capital assets being depreciated:				
Buildings	9,877,528	199,800	225,000	9,852,328
Land improvements	1,725,095	-	-	1,725,095
Machinery and equipment	1,062,095	193,947	51,000	1,205,042
Total capital assets being depreciated	12,664,718	393,747	276,000	12,782,465
Less accumulated depreciation for:				
Buildings	2,281,889	217,410	225,000	2,274,299
Land improvements	587,121	77,430	-	664,551
Machinery and equipment	875,438	78,033	51,000	902,471
Total accumulated depreciation	3,744,448	372,873	276,000	3,841,321
Total capital assets being depreciated, net	8,920,270	20,874	-	8,941,144
Governmental activities capital assets, net	\$ 9,221,298	20,874	-	9,650,488
<b>Business type activities:</b>				
Machinery and equipment	\$ 141,761	50,985	6,470	186,276
Less accumulated depreciation	73,378	14,855	6,470	81,763
Business type activities capital assets, net	\$ 68,383	36,130	-	104,513

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$	7,868
Other		2,921

Support services:

Instructional staff		2,773
Administration		7,402
Operation and maintenance of plant		1,920
Transportation		55,149
		<u>78,033</u>

Unallocated depreciation		<u>294,840</u>
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Total governmental activities depreciation expense	\$	<u>372,873</u>
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Business type activities:

Food service operations	\$	<u>14,855</u>
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**Note 4. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,235,000	-	695,000	3,540,000	260,000
Computer lease	325,426	-	196,517	128,909	128,909
Termination benefits	270,000	-	90,000	180,000	90,000
Net pension liability	2,570,279	-	656,584	1,913,695	-
Net OPEB liability	136,926	32,805	-	169,731	-
Total	<u>\$ 7,537,631</u>	<u>32,805</u>	<u>1,638,101</u>	<u>5,932,335</u>	<u>478,909</u>
Business type activities:					
Net pension liability	<u>\$ 61,855</u>	<u>-</u>	<u>15,801</u>	<u>46,054</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
Bond issue December 1, 2007				
2016	4.000%	\$ 260,000	161,537	421,537
2017	4.000	270,000	151,138	421,138
2018	4.000	285,000	140,337	425,337
2019	4.000	295,000	128,938	423,938
2020	4.000	310,000	117,137	427,137
2021-2025	4.000-4.125	1,750,000	388,973	2,138,973
2026	4.125	370,000	33,722	403,722
Total		<u>\$ 3,540,000</u>	<u>1,121,782</u>	<u>4,661,782</u>

### Computer Lease

On March 15, 2014, the District entered into a lease agreement with Apple, Inc. for the purchase of computers. Principal and interest payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund. As of June 30, 2015, the District is obligated to pay \$128,909 of principal and \$3,416 of interest on the computer lease.

### Termination Benefits

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

At June 30, 2015, the District had obligations to six early retirees with a total liability of \$180,000. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$90,000.

### Note 5. Bond Defeasement

On April 2, 2014, as part of the District's budgeting process, the District's Board of Directors approved an additional debt service levy tax to advance refund a portion of the general obligation bonds issued December 1, 2007. The District levied an additional \$1.38415 per \$1,000 of taxable valuation for fiscal year 2015. The additional \$445,000 of property tax proceeds have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which will be used to pay \$415,000 in principal of the June 1, 2027 bond payment and \$30,000 in principal of the June 1, 2026 bond payment when the bonds become callable on June 1, 2016. As a result, \$445,000 of the 2007 Series bonds are considered to be defeased and the liability for those bonds has been removed from the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the escrow account is insufficient to pay the refunded bonds. At June 30, 2015, \$445,000 of such bonds are outstanding. The economic savings from this bond refunding is \$201,823.

### Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ <u>205,498</u>

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

### Note 7. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Physical Plant and Equipment Levy	General	\$ 41,788
General	Debt Service	<u>10,191</u>
Total		<u>\$ 51,979</u>

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for the purchase of two bus engines and rear end; an expense more appropriate to the General Fund from a prior fiscal year and is also repaying for cleaning expenses incurred in the current year.

The Debt Service Fund is repaying the General Fund for the escrow payment due to a property tax shortfall (see Note 5).

#### **Note 8. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$329,367.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,959,749 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.048423 percent, which was an increase of 0.001936 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$167,380. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,299	\$ -
Changes of assumptions	86,488	-
Net difference between projected and actual earnings on pension plan investments	-	747,392
Changes in proportion and differences between District contributions and proportionate share of contributions	88,592	-
District contributions subsequent to the measurement date	329,367	-
Total	\$ 525,746	\$ 747,392

\$329,367 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (140,965)
2017	(140,965)
2018	(140,965)
2019	(140,965)
2020	12,847
	<u>\$ (551,013)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,702,892	\$ 1,959,749	\$ 488,357

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$41,943 for legally required employer contributions and \$27,947 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

#### **Note 9. Other Postemployment Benefits(OPEB)**

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

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:



Annual required contribution	\$ 40,316
Interest on net OPEB obligation	3,423
Adjustment to annual required contribution	<u>(7,606)</u>
Annual OPEB cost	36,133
Contributions made	<u>(3,328)</u>
Increase in net OPEB obligation	32,805
Net OPEB obligation beginning of year	<u>136,926</u>
Net OPEB obligation end of year	<u><u>\$ 169,731</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$3,328 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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 31,836	7.01%	\$ 107,040
2014	32,632	8.42	136,926
2015	36,133	9.21	169,731

**Funded Status and Funding Progress** - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$248,862, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$248,862. The covered payroll (annual payroll of active employees covered by the plan) was \$2,999,255 and the ratio of the UAAL to covered payroll was 8.30%. As of June 30, 2015, 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. 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 method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

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

#### **Note 10. Risk Management**

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. Iowa Star Schools was set up for the purpose of managing and funding employee benefits. Iowa Star Schools provides medical coverage and protection. District contributions to Iowa Star Schools for the year ended June 30, 2015 were \$517,843.

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

#### **Note 11. 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 \$241,919 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 12. Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction, support services and other expenditures functional areas, as well as in total.

#### **Note 13. Property Lease Agreements**

For the year ended June 30, 2015, the District had a lease with Pottawattamie County Fair Board to rent a parking lot located on the fair grounds. The lease is renewable on an annual basis. The rental payment for fiscal year 2015 was \$3,000.

#### **Note 14. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 4,849
Gifted and Talented Programs	58,887
Beginning Teacher Mentoring and Induction	1,815
Teacher Salary Supplement	12,873
Successful Progression for Early Readers	23,995
Professional Development for Model Core Curriculum	6,356
Total	<u>\$ 108,775</u>

**Note 15. Reconciliation of Governmental Fund Balances to Net Position**

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

	Net investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	602,532	(1,437)	914,250
Capital assets, net of accumulated debt	9,650,488	-	-	-
General obligation bond capitalized indebtedness	(3,540,000)	-	-	-
Termination benefits payable	-	(180,000)	-	-
Accrued interest payable	-	-	-	(15,454)
Income surtax	-	-	-	290,605
Computer lease payable	-	-	-	(128,909)
Net OPEB liability	-	-	-	(169,731)
Pension related deferred outflows	-	-	-	514,346
Net pension liability	-	-	-	(1,913,695)
Pension related deferred inflows	-	-	-	(729,828)
Nonspendable fund balance	-	-	-	408
Unassigned debt service	-	-	1,437	(1,437)
Unassigned student activities fund balance	-	-	-	(52,525)
Net position (Exhibit A)	<u>\$ 6,110,488</u>	<u>422,532</u>	<u>-</u>	<u>(1,291,970)</u>

**Note 16. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 7,262,067	\$ 137,335
Net pension liability at June 30, 2014	(2,570,279)	(61,855)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	281,966	6,786
Net position July 1, 2014, as restated	<u>\$ 4,973,754</u>	<u>\$ 82,266</u>

**Note 17. Deficit Fund Balance/Net Position**

At June 30, 2015, the Student Activity Fund had thirteen deficit accounts with a total deficit unassigned fund balance of \$52,525 and the Debt Service Fund had a deficit unassigned fund balance of \$1,437. The School Nutrition Fund had a deficit unrestricted net position of \$15,860 and the governmental activities had a deficit unrestricted net position of \$1,291,970 at June 30, 2015.

**Note 18. Construction Commitments**

At June 30, 2015, the District had incurred \$332,516 in architectural fees for a potential K-12 addition and renovation project. The District had not entered into any construction contracts with any vendor at June 30, 2015. The architectural fees will be capitalized upon completion of the project.

REQUIRED SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,422,487	164,166	4,586,653	4,939,628	4,939,628	(352,975)
Intermediate sources	46,006	-	46,006	45,600	45,600	406
State sources	3,512,108	2,918	3,515,026	2,993,698	2,993,698	521,328
Federal sources	201,292	154,675	355,967	265,800	265,800	90,167
Total revenues	8,181,893	321,759	8,503,652	8,244,726	8,244,726	258,926
Expenditures/Expenses:						
Instruction	5,247,386	-	5,247,386	4,630,716	4,916,071	(331,315)
Support services	2,190,872	21,440	2,212,312	1,964,199	1,997,989	(214,323)
Non-instructional programs	-	293,932	293,932	255,000	300,000	6,068
Other expenditures	1,764,969	-	1,764,969	687,311	1,157,084	(607,885)
Total expenditures/expenses	9,203,227	315,372	9,518,599	7,537,226	8,371,144	(1,147,455)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,021,334)	6,387	(1,014,947)	707,500	(126,418)	(888,529)
Other financing sources, net	43,001	-	43,001	-	-	43,001
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(978,333)	6,387	(971,946)	707,500	(126,418)	(845,528)
Balance beginning of year, as restated	2,747,008	82,266	2,829,274	3,247,348	3,247,348	(418,074)
Balance end of year	\$ 1,768,675	88,653	1,857,328	3,954,848	3,120,930	(1,263,602)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$833,918.

During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction, support services and other expenditures functional areas, as well as in total.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.048424%
District's proportionate share of the net pension liability	\$ 1,960
District's covered-employee payroll	\$ 3,688
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.15%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



A-H-S-T COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 329	289	258	252	217	213	194	182	169	165
Contributions in relation to the statutorily required contribution	<u>(329)</u>	<u>(289)</u>	<u>(258)</u>	<u>(252)</u>	<u>(217)</u>	<u>(213)</u>	<u>(194)</u>	<u>(182)</u>	<u>(169)</u>	<u>(165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 3,688	3,236	2,976	3,123	3,122	3,065	3,055	3,008	2,939	2,870
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 288,251	288,251	0.0%	\$ 2,574,815	11.20%
2011	July 1, 2009	-	280,360	280,360	0.0	2,358,015	11.89
2012	July 1, 2009	-	241,291	241,291	0.0	2,620,482	9.21
2013	July 1, 2012	-	265,538	265,538	0.0	2,421,675	10.97
2014	July 1, 2012	-	258,586	258,586	0.0	2,220,503	11.65
2015	July 1, 2012	-	248,862	248,862	0.0	2,999,255	8.30

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



## SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 601,546	6,873	608,419
Receivables:			
Property tax:			
Delinquent	1,239	-	1,239
<b>Total Assets</b>	<b>\$ 602,785</b>	<b>6,873</b>	<b>609,658</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 253	3,120	3,373
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	-	-
Fund balances:			
Restricted for:			
Management levy purposes	602,532	-	602,532
Student activities	-	56,278	56,278
Unassigned	-	(52,525)	(52,525)
Total fund balances	602,532	3,753	606,285
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 602,785</b>	<b>6,873</b>	<b>609,658</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 144,374	-	144,374
Other	4,853	161,753	166,606
State sources	2,296	-	2,296
Total revenues	151,523	161,753	313,276
Expenditures:			
Current:			
Instruction:			
Regular	93,916	-	93,916
Other	-	168,800	168,800
Support services:			
Administration	33,455	-	33,455
Operation and maintainance of plant	24,663	-	24,663
Transportation	9,262	-	9,262
Total expenditures	161,296	168,800	330,096
Change in fund balances	(9,773)	(7,047)	(16,820)
Fund balances beginning of year	612,305	10,800	623,105
Fund balances end of year	\$ 602,532	3,753	606,285

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 6,560	13,840	20,400
Receivables:			
Property tax:			
Delinquent	-	824	824
Succeeding year	-	324,635	324,635
Due from other funds	-	41,788	41,788
Due from other governments	87,756	-	87,756
<b>Total Assets</b>	<b>\$ 94,316</b>	<b>381,087</b>	<b>475,403</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,800	8,574	10,374
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	324,635	324,635
Fund balances:			
Restricted for:			
School infrastructure	92,516	-	92,516
Physical plant and equipment	-	47,878	47,878
Total fund balances	92,516	47,878	140,394
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 94,316</b>	<b>381,087</b>	<b>475,403</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



A-H-S-T COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	102,404	102,404
Other	5,112	509	5,621
State sources	565,031	1,503	566,534
Total revenues	570,143	104,416	674,559
Expenditures:			
Current:			
Instruction:			
Regular	26,613	26,929	53,542
Support services:			
Administration	-	45,035	45,035
Operation and maintainance of plant	97,646	13,889	111,535
Transportation	168,950	-	168,950
Capital outlay	368,898	80,617	449,515
Total expenditures	662,107	166,470	828,577
Deficiency of revenues under expenditures	(91,964)	(62,054)	(154,018)
Other financing sources(uses):			
Transfer out	(205,498)	-	(205,498)
Sale of equipment	-	1,001	1,001
Sale of real property	-	42,000	42,000
Total other financing sources(uses)	(205,498)	43,001	(162,497)
Change in fund balances	(297,462)	(19,053)	(316,515)
Fund balances beginning of year	389,978	66,931	456,909
Fund balances end of year	\$ 92,516	47,878	140,394

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ (4,769)	1,479	2,909	(6,199)
Show choir	2,203	1,458	4,428	(767)
General athletics	(3,194)	9,334	4,723	1,417
Track	(5,119)	5,044	9,493	(9,568)
Cross country	401	2,673	3,074	-
Golf	(4,354)	7,325	3,654	(683)
Cheerleaders-wrestling	2,497	409	861	2,045
Cheerleaders-basketball	6,332	1,952	5,441	2,843
Cheerleaders-football	2,642	-	2,584	58
Boys basketball	(15)	12,468	11,401	1,052
Football	11,514	32,004	30,117	13,401
Boys soccer	(3,448)	5,816	6,613	(4,245)
Baseball	4,306	3,957	3,931	4,332
Wrestling	354	3,821	5,755	(1,580)
Girls basketball	-	11,277	8,577	2,700
Volleyball	(6,159)	4,017	3,315	(5,457)
Girls soccer	(8,509)	801	3,098	(10,806)
Softball	8,316	4,123	8,318	4,121
Stength & conditioning	1,378	-	897	481
FFA	-	13,124	11,092	2,032
Book club	-	261	258	3
Yearbook	(7,243)	4,066	4,209	(7,386)
FCCLA	1,798	8,563	6,525	3,836
Drill team	(2,155)	1,800	979	(1,334)
National honor society	(560)	480	910	(990)
Class of 2014	3	-	-	3
Class of 2015	762	164	926	-
Class of 2016	-	4,289	4,630	(341)
H.S. student activities	(880)	3,693	5,982	(3,169)
Vocal	4,687	2,104	700	6,091
Musical	2,279	1,685	2,059	1,905
Elementary activity	1,563	1,028	667	1,924
Student council	3,527	6,037	5,446	4,118
Concessions	2,643	6,501	5,228	3,916
Total	\$ 10,800	161,753	168,800	3,753

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS  
 JUNE 30, 2015

	Private Purpose Trust					Total
	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Student Council	
<b>Assets</b>						
Cash and pooled investments	\$ 26,208	256,679	182,429	16,017	326	481,659
<b>Liabilities</b>	-	-	-	-	-	-
<b>Net Position</b>						
Held in trust for scholarships	\$ 26,208	256,679	182,429	16,017	326	481,659

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN  
 FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust					
	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Student Council	Total
Additions:						
Local sources:						
Interest income	\$ 1,328	1,197	1,408	39	-	3,972
Donations	-	-	-	-	326	326
	1,328	1,197	1,408	39	326	4,298
Deductions:						
Instruction:						
Other:						
Scholarships awarded	800	2,500	4,500	500	-	8,300
Change in net position	528	(1,303)	(3,092)	(461)	326	(4,002)
Net position beginning of year	25,680	257,982	185,521	16,478	-	485,661
Net position end of year	\$ 26,208	256,679	182,429	16,017	326	481,659

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,480,874	3,057,929	3,649,567	3,617,912	3,832,767	3,399,417	3,429,848	2,828,866	2,611,869	2,440,846
Tuition	553,458	481,625	427,428	340,478	256,222	130,588	146,243	141,541	100,379	203,872
Other	388,155	199,373	202,303	209,718	470,274	471,577	479,351	548,853	264,582	363,391
Intermediate sources	46,006	42,367	37,778	43,028	63,154	38,994	47,652	106,027	87,490	59,357
State sources	3,512,108	3,287,163	2,749,977	2,997,835	2,924,331	2,795,711	2,948,365	3,285,084	3,171,235	3,028,117
Federal sources	201,292	202,854	154,687	216,759	335,184	631,586	606,768	167,103	149,123	174,196
Total	\$ 8,181,893	7,271,311	7,221,740	7,425,730	7,881,932	7,467,873	7,658,227	7,077,474	6,384,678	6,269,779
Expenditures:										
Instruction:										
Regular	\$ 3,400,223	3,469,965	3,154,661	2,899,144	2,915,349	3,459,725	2,854,869	2,764,700	2,777,279	2,891,637
Special	724,397	612,780	432,410	611,927	726,176	591,934	563,240	579,189	639,589	613,855
Other	1,122,766	826,409	723,446	677,741	776,225	768,647	706,277	778,041	647,404	687,457
Support services:										
Student	79,469	106,464	73,220	56,015	39,188	29,952	36,337	45,401	46,592	45,617
Instructional	180,518	144,641	146,765	93,306	79,475	75,331	47,812	93,585	92,229	82,881
Administration	847,037	833,449	721,112	680,441	613,394	762,394	923,306	685,141	575,076	586,907
Operation and maintenance of plant	587,527	484,463	422,436	358,444	417,199	486,274	411,787	460,509	460,189	597,196
Transportation	496,321	328,751	341,028	215,958	254,165	356,289	266,248	325,759	355,980	261,447
Non-instructional programs:										
Community service operations	-	-	-	-	-	-	-	-	-	154
Capital outlay	449,515	364,133	13,515	270,003	427,584	1,589,003	5,378,281	1,482,292	424,711	545,686
Long-term debt:										
Principal	891,517	553,055	792,436	663,005	640,220	490,000	80,000	63,029	-	-
Interest and fiscal charges	182,018	193,493	221,879	234,267	251,290	269,623	358,471	2,548	-	-
Other expenditures:										
AEA flow-through	241,919	238,371	231,742	233,528	262,260	260,451	229,509	223,429	212,553	195,320
Total	\$ 9,203,227	8,155,974	7,274,650	6,993,779	7,402,525	9,139,623	11,856,137	7,503,623	6,231,602	6,508,157

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2016.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-15 to be a significant deficiency.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

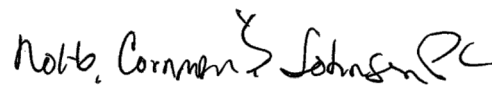
## **A-H-S-T Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2016  
Newton, Iowa

A-H-S-T COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District:

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

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

Response - The District continues to evaluate internal controls and tries to segregate duties where possible.

Conclusion - Response accepted.

I-B-15 Title I Reporting - We noted during our audit that Title I reports submitted to the Iowa Department of Education were not reconciled to actual expenses reported in the District's general ledger, this resulted in the District staff having to review expenses subsequent to year end to verify the District had expenses to support the Title I reports filed with the Iowa Department of Education. As a result the District's carryover allocation of the Title I revenues exceeded the 15% allowed.

Recommendation - The District needs to reconcile Title I reports submitted to the Iowa Department of Education to actual expenses reported in the District's general ledger. Once this reconciliation is completed, the District should amend the Title I budget to match revenues to actual general ledger expenditures. The District should also contact the Iowa Department of Education and develop a workout plan for the amount of Title I claimed in excess of actual expenses.



Response - The District will implement a quarterly budget monitoring tool for Title 1 and will amend the budget accordingly, if necessary.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, exceeded the amounts budgeted in the instruction, support services and other expenditures functional areas, as well as in total.

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

Response - The District has implemented quarterly projection reports and a more detailed actual to budget report to better monitor actual versus budget expenditures.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-15 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. We did note during our audit that the Superintendent received reimbursement for two travel claims that had not been properly approved for reimbursement.

Recommendation - The District should review its procedures to ensure that all requests for reimbursement are properly approved.

Response - The District has reviewed the procedure for reimbursement requests with fiscal employees.

Conclusion - Response accepted.

II-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted

II-I-15 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-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Service and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning Balance		\$	389,978
Revenues:			
Sales tax revenues	\$	565,031	
Other local revenues		5,112	570,143
			<u>960,121</u>
Expenditures/transfer out:			
School infrastructure construction		36,349	
Equipment		293,209	
Other		332,549	
Transfer to other funds:			
Debt service fund		205,498	867,605
			<u>867,605</u>
Ending Balance		\$	<u><u>92,516</u></u>

For the year ended June 30, 2015, 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-15 Financial Condition - As of June 30, 2015, the Student Activity Fund had thirteen negative accounts with a combined deficit of \$52,525. The Debt Service Fund had a deficit fund balance of \$1,427. The School Nutrition Fund had a deficit unrestricted net position of \$15,860 and the governmental activities had a deficit unrestricted net position of \$1,291,970. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should continue to monitor the Debt Service fund and investigate alternatives to eliminate the deficit. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit accounts should also be considered for the Student Activity Fund. The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District is continuing explore ways to improve the balances of negative accounts in the Activity Fund. Fundraising and working with the Booster Club are two possibilities to improve the negative balances.

The District Administration will inform the Board of Education of the impact of GASB No. 68 and 71 on the District's financial position when the audit report is reviewed.

Conclusion - Response accepted.

- II-N-15 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

**Testing Revenues/Expenses:** We noted during our audit that the District recorded PSAT and MSQT test revenues and expenses in the Student Activity Fund. These would appear to be instructional in nature and would be more appropriately accounted for in the General Fund.

Recommendation - The District should review its procedures for coding revenues and expenditures to ensure they are recorded in the proper fund.

Response - The District will record PSAT and MSQT tests revenue and expenses in the General Fund.

Conclusion - Response accepted.

- II-O-15 Interfund Loans - During our 2014 audit we noted the necessity for adjustments to interfund loan balances as a result of transactions recorded in incorrect funds:

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

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

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

Response - Based on the District's legal counsel's opinion that a bus engine and rear end are equipment necessary for the operation of a school bus, it qualifies the purchase of these items as meeting the Iowa Code requirement of "purchase of transportation equipment" thus allowing the District to use Capital Projects: Property Plant and Equipment Levy Fund dollars for these expenditures. In addition, in 2015, the legislators passed House File 646, which amended PPEL language to allow repairs to transportation vehicle to be expended from PPEL if the cost of the repair exceeded \$2,500.

Conclusion - Response acknowledged. The Iowa Department of Education issued guidance specifically stating that bus engines and parts were not an allowable expenditure from the Capital Projects: Physical Plant and Equipment Levy Fund. The Iowa legislature passed legislation that redefined the allowable Physical Plant and Equipment Levy expenditures to include repairs for budget years beginning on or after July 1, 2015. Due to the expenditure occurring prior to the change in law, we still request a corrective transfer.