

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

JUNE 30, 2014

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Washington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Eric Turner	President	2015
Heidi Vittetoe	Vice President	2013
Sheryl Lewis	Board Member	2013
Patty Roe	Board Member	2013
Troy Suchan	Board Member	2015
Ericka Raber	Board Member	2015
Stephanie Ellingson	Board Member	2015
(After September 2013 Election)		
Eric Turner	President	2015
Heidi Vittetoe	Vice President	2017
Dana McDole	Board Member	2015
Patty Roe	Board Member	2017
Troy Suchan	Board Member	2015
Ericka Raber	Board Member	2015
Stephanie Ellingson	Board Member	2015
School Officials		
Mike Jorgenson	Superintendent	2014
Jeff Dieleman	District Secretary/Treasurer & Business Manager	2014
Rick Engel	Attorney	2014

Washington Community School District

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

INDEPENDENT AUDITORS REPORT

To the Board of Education of the Washington School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Washington Community School District, Washington, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Washington Community School District at June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 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 the 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 Washington 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 seven years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2006 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$18,737,021 in fiscal year 2013 to \$18,588,164 in fiscal year 2014, while General Fund expenditures increased from \$18,130,753 in fiscal year 2013 to \$19,151,226 in fiscal year 2014. This resulted in a decrease in the District's General Fund balance from \$4,253,807 at June 30, 2013, to a balance of \$3,690,745 at June 30, 2014, a 13.24% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax source revenues in fiscal year 2014. The increase in expenditures is attributable to increased negotiated salaries and benefits for District employees.

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 Washington 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 Washington 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 Washington Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

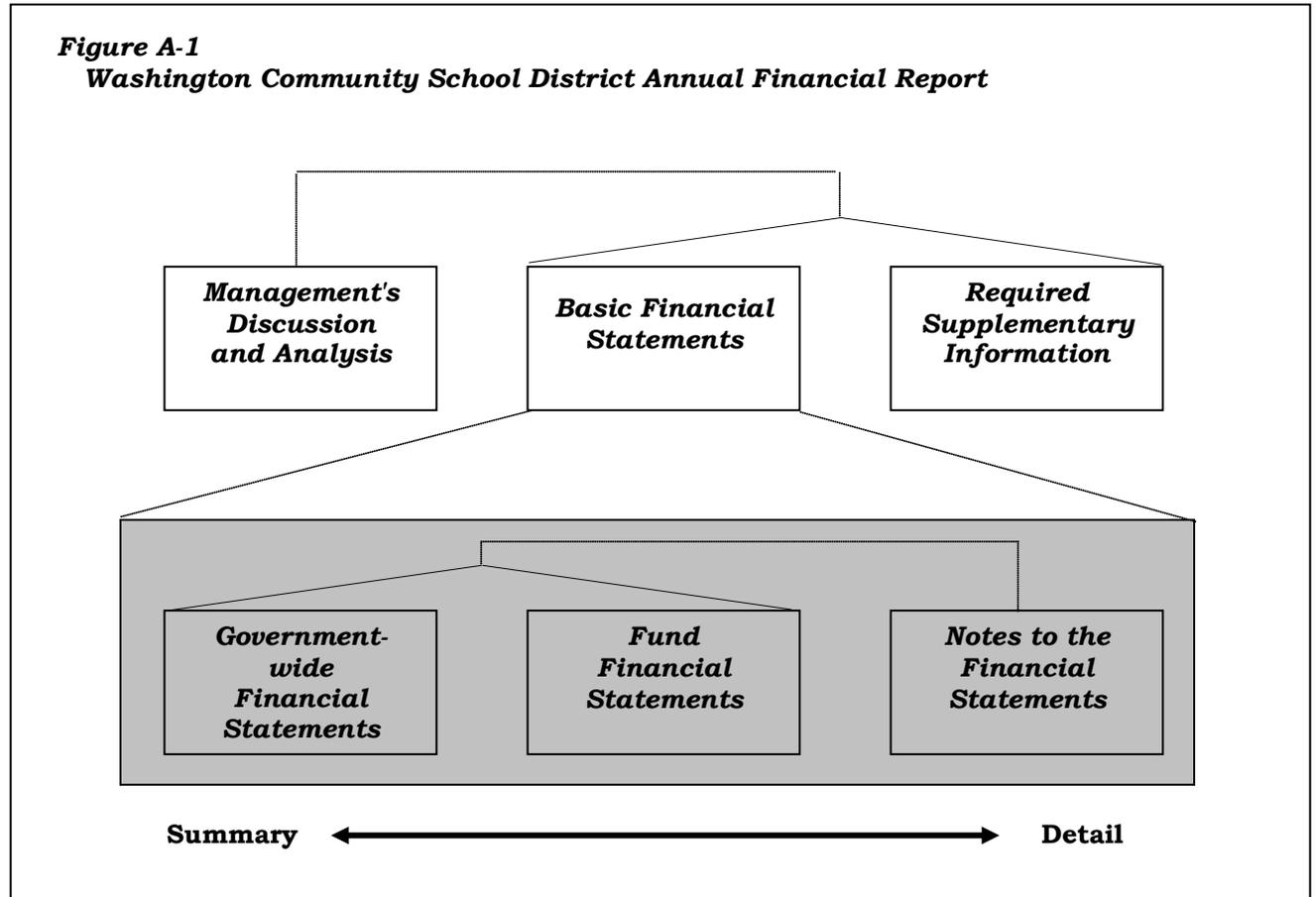


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are 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, Special Revenue Funds and Capital Projects Fund and Debt Service Fund.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 18,396,547	17,617,200	88,587	82,007	18,485,134	17,699,207	4.44%
Capital assets	22,973,891	23,603,269	440,059	497,238	23,413,950	24,100,507	-2.85%
Total assets	41,370,438	41,220,469	528,646	579,245	41,899,084	41,799,714	0.24%
Long-term liabilities	16,055,167	16,620,102	3,833	6,928	16,059,000	16,627,030	-3.42%
Other liabilities	2,783,258	2,584,366	76,872	79,146	2,860,130	2,663,512	7.38%
Total liabilities	18,838,425	19,204,468	80,705	86,074	18,919,130	19,290,542	-1.93%
Deferred inflows of resources	5,873,909	5,822,253	-	-	5,873,909	5,822,253	0.89%
Net position:							
Net investment in capital assets	7,898,891	8,457,079	440,059	497,238	8,338,950	8,954,317	-6.87%
Restricted	5,708,866	4,375,408	-	-	5,708,866	4,375,408	30.48%
Unrestricted	3,050,347	3,361,261	7,882	(4,067)	3,058,229	3,357,194	-8.91%
Total net position	\$ 16,658,104	16,193,748	447,941	493,171	17,106,045	16,686,919	2.51%

The District's combined net position increased by 2.51%, or \$419,126, from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 30.48%, or \$1,333,458, from the prior year. A large portion of the increase in restricted net position can be attributed to the increase in fund balance of the Management Levy Fund due primarily to an increase in local tax revenues received as compared to the prior year.

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 \$298,965, or 8.91%. The decrease in unrestricted net position is mainly attributable to the decrease in General Fund balance as compared to the prior year.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 1,300,407	1,423,692	352,327	340,852	1,652,734	1,764,544	-6.34%
Operating grants, contributions and restricted interest	1,931,808	1,908,634	530,880	489,883	2,462,688	2,398,517	2.68%
Capital grants, contributions and restricted interest	176,275	90,960	-	-	176,275	90,960	93.79%
General revenues:							
Property tax	5,935,010	6,103,274	-	-	5,935,010	6,103,274	-2.76%
Income surtax	771,432	667,573	-	-	771,432	667,573	15.56%
Statewide sales, services and use tax	1,551,177	1,465,160	-	-	1,551,177	1,465,160	5.87%
Unrestricted state grants	10,683,641	9,970,458	-	-	10,683,641	9,970,458	7.15%
Unrestricted investment earnings	2,422	3,168	37	78	2,459	3,246	-24.25%
Other	65,090	36,851	3,296	-	68,386	36,851	85.57%
Total revenues	22,417,262	21,669,770	886,540	830,813	23,303,802	22,500,583	3.57%
Program expenses:							
Instructional	13,416,376	12,653,453	-	-	13,416,376	12,653,453	6.03%
Support services	6,405,182	5,736,225	-	-	6,405,182	5,736,225	11.66%
Non-instructional programs	-	-	933,961	983,869	933,961	983,869	-5.07%
Other expenses	2,129,157	2,047,751	-	-	2,129,157	2,047,751	3.98%
Total expenses	21,950,715	20,437,429	933,961	983,869	22,884,676	21,421,298	6.83%
Excess(Deficiency) of revenues over(under) expenses	466,547	1,232,341	(47,421)	(153,056)	419,126	1,079,285	-61.17%
Transfers	(2,191)	(325,979)	2,191	325,979	-	-	0.00%
Change in net position	464,356	906,362	(45,230)	172,923	419,126	1,079,285	-61.17%
Net position beginning of year	16,193,748	15,287,386	493,171	320,248	16,686,919	15,607,634	6.92%
Net position end of year	\$ 16,658,104	16,193,748	447,941	493,171	17,106,045	16,686,919	2.51%

In fiscal year 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 84.49% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 99.62% of the revenue from business type activities.

The District's total revenues were approximately \$23.30 million of which approximately \$22.42 million was for governmental activities and approximately \$0.88 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.57% increase in revenues and a 6.83% increase in expenses. The increase in revenues is mainly attributable to increases unrestricted state grant revenues received as compared to the prior year. The increase in expenditures is mainly attributable to increases in salaries and benefits received by District employees.

Governmental Activities

Revenues for governmental activities were \$22,417,262 and expenses were \$21,950,715 for the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 13,416,376	12,653,453	6.03%	11,354,607	10,251,631	10.76%
Support services	6,405,182	5,736,225	11.66%	5,788,016	5,394,127	7.30%
Other expenses	2,129,157	2,047,751	3.98%	1,399,602	1,368,385	2.28%
Totals	\$ 21,950,715	20,437,429	7.40%	18,542,225	17,014,143	8.98%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,300,407.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$2,108,083.
- The net cost of governmental activities was financed with \$5,935,010 in property tax, \$771,432 in income surtax, \$1,551,177 in statewide sales, services and use tax, \$10,683,641 in unrestricted state grants, \$2,422 in interest income and \$65,090 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$886,540 and expenses were \$933,961 for the year ended June 30, 2014. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$9,402,812, above last year's ending fund balances of \$8,903,339. The main reason

for the increase in combined fund balances can be attributed to the increase in fund balance of the Management Levy Fund as compared to the prior year, due to increased local tax revenue received.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Fund balance of the General Fund decreased from \$4,253,807 at June 30, 2013, to \$3,690,745 at June 30, 2014. Revenues decreased compared to the prior year primarily due to a decrease in local tax sources received. Expenditures increased during the year primarily from an increase in negotiated salaries and benefits paid to District employees. Total expenditures outpaced total revenues ensuring a decrease in ending fund balance.
- The Capital Projects Fund combined balance increased from a balance of \$2,275,910 at June 30, 2013 to \$2,460,569 at June 30, 2014. Local source and sales tax revenues increased as compared to the prior year and total expenditures decreased from the prior year due to a decrease in capital outlay expenditures incurred. Total revenues outpaced total expenditures ensuring an increase in ending fund balance.
- The Debt Service Fund balance increased from \$2,129,767 at June 30, 2013, to \$2,239,362 at June 30, 2014. The increase in fund balance is due to annual sinking payments made to the Debt Service Fund from other funds outpacing annual principal and interest expenditures needed for District indebtedness.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$493,171 at June 30, 2013 to \$447,941 at June 30, 2014, representing a decrease of 9.17%. Total expenditures decreased and total revenues increased compared to the prior year, yet expenditures still outpaced revenues ensuring a decrease in ending net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$445,067 more than budgeted revenues, a variance of 1.95%. The most significant dollar difference resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$23,413,950, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a decrease of 2.85% from the previous year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,130,138.

The original cost of the District's capital assets was \$31,412,389. Governmental funds account for \$30,631,022 with the remainder of \$781,367 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,589,270 at June 30, 2013 as compared to \$1,333,854 at June 30, 2014. This decrease is primarily due to annual depreciation expense incurred during fiscal year 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 710,542	710,542	-	-	710,542	710,542	0.00%
Buildings	21,096,746	21,522,362	-	-	21,096,746	21,522,362	-1.98%
Land improvements	272,808	278,333	-	-	272,808	278,333	-1.99%
Machinery and equipment	893,795	1,092,032	440,059	497,238	1,333,854	1,589,270	-16.07%
Total	\$ 22,973,891	23,603,269	440,059	497,238	23,413,950	24,100,507	-2.85%

Long-Term Debt

At June 30, 2014, the District had \$16,059,000 in revenue bonds, energy capital loan notes and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

At June 30, 2014, the District had \$14,470,000 of revenue bonds outstanding payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

At June 30, 2014, the District had \$605,000 of energy capital loan notes outstanding payable from the General Fund.

At June 30, 2014, the District had \$350,000 in computer loans outstanding payable from the General Fund.

At June 30, 2014 the District had \$123,000 in termination benefits outstanding payable from the Management Levy Fund.

At June 30, 2014, the District had a net OPEB liability of \$511,000. \$507,167 of this total is attributable to the District's governmental activities while the remaining \$3,833 is attributable to its business type activities.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ 14,470,000	14,930,000	-	-	14,470,000	14,930,000	-3.08%
Capital loan notes	605,000	700,000	-	-	605,000	700,000	-13.57%
Computer loan	350,000	525,000	-	-	350,000	525,000	-33.33%
Termination benefits	123,000	-	-	-	123,000	-	100.00%
Net OPEB liability	507,167	465,102	3,833	6,928	511,000	472,030	8.26%
Total	\$ 16,055,167	16,620,102	3,833	6,928	16,059,000	16,627,030	-3.42%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment showed a decrease from last year.
- We had an enrollment projection conducted that shows expected growth over the next ten years
- Construction on a 32 unit Low Income Apartment housing is scheduled to be complete by the fall of 2016. This includes 2 and 3 bedroom family units, which is expected to have a positive effect on enrollment.
- Kirkwood Community College opened a regional center here in Washington in the fall of 2014, this has increased student opportunities in our district and has had a positive effect on supplemental enrollment figures.
- We continue to work with surrounding districts to maximize our operational sharing opportunities. We currently have 20 of the possible 21 student supplemental weighting secured.
- The first phase of a new housing unit is nearly completely sold, homes typically in the \$300,000-\$500,000 range. Phase two is expected to begin within the next year.
- The city has begun development of a new industrial park.
- Large employers in the district are hiring, which seems to indicate that the local economy is gaining strength.

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 Jeff Dieleman, Business Manager/District Secretary, Washington Community School District, P.O. Box 926, Washington, Iowa, 52353.

Basic Financial Statements

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 10,800,797	67,261	10,868,058
Receivables:			
Property tax:			
Delinquent	86,281	-	86,281
Succeeding year	5,873,909	-	5,873,909
Income surtax	645,497	-	645,497
Accounts	3,305	-	3,305
Due from other governments	986,758	17,452	1,004,210
Inventories	-	3,874	3,874
Capital assets, net of accumulated depreciation	22,973,891	440,059	23,413,950
TOTAL ASSETS	41,370,438	528,646	41,899,084
LIABILITIES			
Accounts payable	408,822	425	409,247
Retainage payable	214,626	-	214,626
Salaries and benefits payable	1,842,873	61,918	1,904,791
Advances from grantors	8,008	-	8,008
Accrued interest payable	308,929	-	308,929
Unearned revenue	-	14,529	14,529
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	560,000	-	560,000
Capital loan notes payable	95,000	-	95,000
Computer loan payable	175,000	-	175,000
Termination benefits payable	123,000	-	123,000
Portion due after one year:			
Revenue bonds payable	13,910,000	-	13,910,000
Capital loan notes payable	510,000	-	510,000
Computer loan payable	175,000	-	175,000
Net OPEB liability	507,167	3,833	511,000
TOTAL LIABILITIES	18,838,425	80,705	18,919,130
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	5,873,909	-	5,873,909
NET POSITION			
Net investment in capital assets	7,898,891	440,059	8,338,950
Restricted for:			
Categorical funding	428,728	-	428,728
Debt service	1,930,433	-	1,930,433
Management levy purposes	841,684	-	841,684
Student activities	47,452	-	47,452
School infrastructure	1,501,551	-	1,501,551
Physical plant and equipment	959,018	-	959,018
Unrestricted	3,050,347	7,882	3,058,229
TOTAL NET POSITION	\$ 16,658,104	447,941	17,106,045

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 7,586,755	456,333	164,733	-	(6,965,689)	-	(6,965,689)
Special	3,195,020	190,982	184,410	-	(2,819,628)	-	(2,819,628)
Other	2,634,601	402,855	662,456	-	(1,569,290)	-	(1,569,290)
	<u>13,416,376</u>	<u>1,050,170</u>	<u>1,011,599</u>	<u>-</u>	<u>(11,354,607)</u>	<u>-</u>	<u>(11,354,607)</u>
Support services:							
Student	623,138	-	86,602	-	(536,536)	-	(536,536)
Instructional staff	600,804	-	70,831	-	(529,973)	-	(529,973)
Administration	2,051,220	100,531	-	-	(1,950,689)	-	(1,950,689)
Operation and maintenance of plant	2,068,626	24,706	-	176,275	(1,867,645)	-	(1,867,645)
Transportation	1,061,394	125,000	33,221	-	(903,173)	-	(903,173)
	<u>6,405,182</u>	<u>250,237</u>	<u>190,654</u>	<u>176,275</u>	<u>(5,788,016)</u>	<u>-</u>	<u>(5,788,016)</u>
Long-term debt interest	627,035	-	-	-	(627,035)	-	(627,035)
Other expenses:							
AEA flowthrough	729,555	-	729,555	-	-	-	-
Depreciation (unallocated)*	772,567	-	-	-	(772,567)	-	(772,567)
	<u>1,502,122</u>	<u>-</u>	<u>729,555</u>	<u>-</u>	<u>(772,567)</u>	<u>-</u>	<u>(772,567)</u>
Total governmental activities	21,950,715	1,300,407	1,931,808	176,275	(18,542,225)	-	(18,542,225)
Business type activities:							
Non-instructional programs:							
Food service operations	933,961	352,327	530,880	-	-	(50,754)	(50,754)
Total	\$ 22,884,676	1,652,734	2,462,688	176,275	(18,542,225)	(50,754)	(18,592,979)
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 5,390,675	-		5,390,675
Capital outlay				544,335	-		544,335
Income surtax				771,432	-		771,432
Statewide sales, services and use tax				1,551,177	-		1,551,177
Unrestricted state grants				10,683,641	-		10,683,641
Unrestricted investment earnings				2,422	37		2,459
Other				65,090	3,296		68,386
Transfers				(2,191)	2,191		-
Total general revenues and transfers				<u>19,006,581</u>	<u>5,524</u>		<u>19,012,105</u>
Change in net position				464,356	(45,230)		419,126
Net position beginning of year				16,193,748	493,171		16,686,919
Net position end of year				<u>\$ 16,658,104</u>	<u>447,941</u>		<u>17,106,045</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 5,359,949	2,194,885	2,239,362	1,006,601	10,800,797
Receivables:					
Property tax:					
Delinquent	60,886	7,984	-	17,411	86,281
Succeeding year	4,635,180	547,873	165,856	525,000	5,873,909
Income surtax	645,497	-	-	-	645,497
Accounts	3,305	-	-	-	3,305
Due from other governments	479,326	507,432	-	-	986,758
TOTAL ASSETS	\$ 11,184,143	3,258,174	2,405,218	1,549,012	18,396,547
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 361,840	35,106	-	11,876	408,822
Retainage payable	-	214,626	-	-	214,626
Salaries and benefits payable	1,842,873	-	-	-	1,842,873
Advances from grantors	8,008	-	-	-	8,008
Total liabilities	2,212,721	249,732	-	11,876	2,474,329
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,635,180	547,873	165,856	525,000	5,873,909
Income surtax	645,497	-	-	-	645,497
Total deferred inflows of resources	5,280,677	547,873	165,856	525,000	6,519,406
Fund balances:					
Restricted for:					
Categorical funding	428,728	-	-	-	428,728
Debt service	-	-	2,239,362	-	2,239,362
Management levy purposes	-	-	-	964,684	964,684
Student activities	-	-	-	47,452	47,452
School infrastructure	-	1,501,551	-	-	1,501,551
Physical plant and equipment	-	959,018	-	-	959,018
Unassigned	3,262,017	-	-	-	3,262,017
Total fund balances	3,690,745	2,460,569	2,239,362	1,012,136	9,402,812
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,184,143	3,258,174	2,405,218	1,549,012	18,396,547

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	9,402,812
 <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.		22,973,891
Accounts receivable income surtax, are not yet available to finance expenditures of the current year and therefore, is recognized as deferred inflows of resources in the governmental funds.		645,497
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(308,929)
Long-term liabilities, including revenue bonds payable, capital loan notes payable, computer loan payable, termination benefits payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(16,055,167)</u>
Net position of governmental activities (page 18)	\$	<u>16,658,104</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,944,154	544,335	-	1,198,935	6,687,424
Tuition	582,138	-	-	-	582,138
Other	530,342	177,023	89	337,521	1,044,975
State sources	11,754,372	1,551,488	-	689	13,306,549
Federal sources	777,158	-	-	-	777,158
TOTAL REVENUES	18,588,164	2,272,846	89	1,537,145	22,398,244
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,338,145	-	-	116,980	7,455,125
Special	3,160,369	-	-	-	3,160,369
Other	2,251,689	-	-	365,391	2,617,080
	<u>12,750,203</u>	<u>-</u>	<u>-</u>	<u>482,371</u>	<u>13,232,574</u>
Support services:					
Student	560,206	-	-	-	560,206
Instructional staff	552,932	-	-	-	552,932
Administration	2,042,818	-	-	22,898	2,065,716
Operation and maintenance of plant	1,362,581	-	-	164,359	1,526,940
Transportation	856,598	-	-	99,236	955,834
	<u>5,375,135</u>	<u>-</u>	<u>-</u>	<u>286,493</u>	<u>5,661,628</u>
Capital outlay	-	927,698	-	-	927,698
Long-term debt:					
Principal	-	-	730,000	-	730,000
Interest and fiscal charges	-	-	637,343	-	637,343
	<u>-</u>	<u>-</u>	<u>1,367,343</u>	<u>-</u>	<u>1,367,343</u>
Other expenditures:					
AEA flowthrough	729,555	-	-	-	729,555
TOTAL EXPENDITURES	18,854,893	927,698	1,367,343	768,864	21,918,798
Excess(Deficiency) of revenues over(under) expenditures	(266,729)	1,345,148	(1,367,254)	768,281	479,446
Other financing sources(uses):					
Transfer in	-	-	1,476,849	-	1,476,849
Transfer out	(296,333)	(1,180,516)	-	-	(1,476,849)
Sale of property	-	20,027	-	-	20,027
Total other financing sources(uses)	(296,333)	(1,160,489)	1,476,849	-	20,027
Change in fund balances	(563,062)	184,659	109,595	768,281	499,473
Fund balance beginning of year	4,253,807	2,275,910	2,129,767	243,855	8,903,339
Fund balance end of year	\$ 3,690,745	2,460,569	2,239,362	1,012,136	9,402,812

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds (page 22) \$ 499,473

*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, depreciation expense and loss on asset disposal in the current year are as follows:

Capital outlay	\$ 442,308	
Depreciation expense	(1,070,118)	
Loss on asset disposal	<u>(1,568)</u>	(629,378)

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. 730,000

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. 10,308

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 19,018

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.

Termination benefits	\$ (123,000)	
Other postemployment benefits	<u>(42,065)</u>	<u>(165,065)</u>

Change in net position of governmental activities (page 19) \$ 464,356

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise, School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 67,261
Due from other governments	17,452
Inventories	3,874
Total current assets	88,587
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	440,059
TOTAL ASSETS	528,646
LIABILITIES	
Current liabilities:	
Accounts payable	425
Salaries and benefits payable	61,918
Unearned revenue	14,529
Total current liabilities	76,872
Long-term liabilities:	
Net OPEB liability	3,833
TOTAL LIABILITIES	80,705
NET POSITION	
Net investment in capital assets	440,059
Unrestricted	7,882
TOTAL NET POSITION	\$ 447,941

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 352,327
Miscellaneous	3,296
TOTAL OPERATING REVENUES	355,623
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	321,889
Benefits	55,663
Services	3,772
Supplies	492,539
Other	78
Depreciation	60,020
TOTAL OPERATING EXPENSES	933,961
OPERATING LOSS	(578,338)
NON-OPERATING REVENUES:	
Interest	37
State sources	7,457
Federal sources	523,423
TOTAL NON-OPERATING REVENUES	530,917
Change in net position before capital contributions	(47,421)
Capital contributions	2,191
Change in net position	(45,230)
Net position beginning of year	493,171
Net position end of year	\$ 447,941

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 351,029
Cash received from miscellaneous	3,296
Cash payments to employees for services	(374,863)
Cash payments to suppliers for goods or services	(456,329)
Net cash used in operating activities	(476,867)
Cash flows from non-capital financing activities:	
State grants received	7,457
Federal grants received	478,215
Net cash provided by non-capital financing activities	485,672
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(650)
Cash flows from investing activities:	
Interest on investments	37
Net increase in cash and cash equivalents	8,192
Cash and cash equivalents beginning of year	59,069
Cash and cash equivalents end of year	\$ 67,261
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (578,338)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	45,266
Depreciation	60,020
Decrease in inventories	1,554
Decrease in accounts payable	(6,760)
Increase in salaries and benefits payable	5,784
Decrease in unearned revenue	(1,298)
Decrease in other postemployment benefits	(3,095)
Net cash used in operating activities	\$ (476,867)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$45,266.

During the year ended June 30, 2014, the Nutrition Fund received capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund of \$2,191.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 1,307,068
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 1,307,068</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 10,925
Contributions	22,100
Total additions	<u>33,025</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>31,675</u>
Change in net position	1,350
Net position beginning of year	<u>1,305,718</u>
Net position end of year	<u>\$ 1,307,068</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Washington Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District also operates or sponsors various adult education programs. The geographic area served includes the City of Washington, Iowa, and the predominate agricultural territory of Washington and Jefferson 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Washington 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 Washington Community School District has no component units that 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 Washington and Jefferson 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 activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 utilized to account for property tax and other revenues to be used for the payment of principal and interest on the District's general long-term debt.

The District also reports the non-major following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund is 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 measureable 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 - assigned and then unassigned fund balances.

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

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

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

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

Cash, Cash Equivalents and Pooled Investments - The cash balance 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 taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

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

Due from Other Governments - Due from other governments represents the 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

Asset Class	Estimated Useful Lives
Buildings	40 years
Land improvements	15 years
Intangibles	2-5 years
Machinery and equipment	4-12 years

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

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

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.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amount budgeted.

Note 2. Cash, Cash Equivalents and Pooled Investments

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

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

At June 30, 2014 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio which are valued at an amortized cost of \$6,595,768 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	General	\$ 296,333
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	1,180,516
Total		<u>\$ 1,476,849</u>

The transfer of from the General Fund to the Debt Service Fund was needed to pay principal and interest payments on the District energy capital loan note and computer loan indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to pay principal and interest on the District's revenue bond indebtedness.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 710,542	-	-	710,542
Total capital assets not being depreciated	<u>710,542</u>	<u>-</u>	<u>-</u>	<u>710,542</u>
Capital assets being depreciated:				
Buildings	24,668,994	311,608	4,702	24,975,900
Land improvements	1,169,825	31,386	-	1,201,211
Machinery and equipment	3,761,766	99,314	117,711	3,743,369
Total capital assets being depreciated	<u>29,600,585</u>	<u>442,308</u>	<u>122,413</u>	<u>29,920,480</u>
Less accumulated depreciation for:				
Buildings	3,146,632	735,656	3,134	3,879,154
Land improvements	891,492	36,911	-	928,403
Machinery and equipment	2,669,734	297,551	117,711	2,849,574
Total accumulated depreciation	<u>6,707,858</u>	<u>1,070,118</u>	<u>120,845</u>	<u>7,657,131</u>
Total capital assets being depreciated, net	<u>22,892,727</u>	<u>(627,810)</u>	<u>1,568</u>	<u>22,263,349</u>
Governmental activities capital assets, net	<u>\$ 23,603,269</u>	<u>(627,810)</u>	<u>1,568</u>	<u>22,973,891</u>
Business Type activities:				
Machinery and equipment	\$ 779,568	2,841	1,042	781,367
Less accumulated depreciation	282,330	60,020	1,042	341,308
Business Type activities capital assets, net	<u>\$ 497,238</u>	<u>(57,179)</u>	<u>-</u>	<u>440,059</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 19,308
Special		2,494
Other		32,228
Support services:		
Instructional services		53,432
Administration		28,047
Operation and maintenance of plant		50,379
Transportation		111,663
		<u>297,551</u>
Unallocated depreciation		<u>772,567</u>
		<u>\$ 1,070,118</u>
Business type activities:		
Food service operations		<u>\$ 60,020</u>

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 14,930,000	-	460,000	14,470,000	560,000
Capital Loan Notes	700,000	-	95,000	605,000	95,000
Computer Loan	525,000	-	175,000	350,000	175,000
Termination Benefits	-	123,000	-	123,000	123,000
Net OPEB Liability	465,102	42,065	-	507,167	-
Total	<u>\$ 16,620,102</u>	<u>165,065</u>	<u>730,000</u>	<u>16,055,167</u>	<u>953,000</u>
Business Type Activities:					
Net OPEB Liability	\$ 6,928	-	3,095	3,833	-

Computer Loan

Details of the District's June 30, 2014, computer loan indebtedness is as follows:

Year Ending June 30,	Computer Loan Dated June 15, 2012			
	Interest Rates	Principal	Interest	Total
2015	2.00	% \$ 175,000	6,125	181,125
2016	2.00	175,000	2,625	177,625
Total		<u>\$ 350,000</u>	<u>8,750</u>	<u>358,750</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of December 1, 2009			Bond Issue of December 12, 2012			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	3.00 %	\$ 560,000	554,352	1.00 %	-	34,785	560,000	589,137	1,149,137
2016	3.25	565,000	536,771	1.00	100,000	34,285	665,000	571,056	1,236,056
2017	3.50	590,000	517,265	1.00	100,000	33,285	690,000	550,550	1,240,550
2018	3.75	610,000	495,502	1.50	100,000	32,035	710,000	527,537	1,237,537
2019	4.00	635,000	471,365	1.50	100,000	30,535	735,000	501,900	1,236,900
2020-2024	4.00-4.50	3,585,000	1,922,783	1.50-2.05	535,000	127,153	4,120,000	2,049,936	6,169,936
2025-2029	4.60-5.00	4,475,000	996,977	2.25-2.65	600,000	67,092	5,075,000	1,064,069	6,139,069
2030	5.00	1,710,000	59,750	2.80	205,000	3,920	1,915,000	63,670	1,978,670
Total		\$ 12,730,000	5,554,765		\$ 1,740,000	363,090	14,470,000	5,917,855	20,387,855

The District has pledged future statewide sales, services and use tax revenues to repay the \$13,985,000 of bonds issued on December 2009, and the \$1,740,000 of bonds issued in December 2012. The bonds were issued for the purpose of defraying a portion of the costs of school infrastructure within the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2030. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 74% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$20,387,855. In the current year \$460,000 in principal and \$606,273 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,551,177.

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

- a) \$1,259,930 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monthly transfers from the District's Statewide Sales, Services and Use Tax Fund shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Energy Capital Loan Notes

Details of the District's June 30, 2014, energy capital loan note indebtedness that will be paid from the General Fund are as follows:

Year Ending June 30,	Capital Loan Note Issue of July 1, 2010			
	Interest Rates	Principal	Interest	Total
2015	2.00	% \$ 95,000	16,238	111,238
2016	2.50	95,000	14,338	109,338
2017	2.65	100,000	10,638	110,638
2018	2.75	100,000	7,938	107,938
2019	2.95	105,000	5,014	110,014
2020	3.15	110,000	1,733	111,733
Total		\$ 605,000	55,899	660,899

Termination Benefits

In fiscal year 2014, the District approved a voluntary early retirement plan for District employees. The plan was only offered for one year. Eligible employees must have completed ten consecutive years of service to the District and must have reached age fifty-five prior to June 30, 2014. The applications for early retirement were approved by the Board of Education.

Early retirement benefits for District retirees are as follows; \$24,000 for teachers, or half that amount if the potential retiree has worked only five-nine consecutive years. \$12,000 for custodians or secretaries, \$9,000 for paraprofessionals or cooks, \$6,000 for drivers and mechanics. All retirement stipends are paid to an employer sponsored 403(b) plan. All retirees are given the option to continue under the District's group health insurance plan at the retiree's expense.

All early retirement obligations will be paid out by January 1, 2015. At June 30, 2014, the District has obligations to eight participants with a total liability of \$123,000.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,013,365, \$904,502 and 801,811, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees, and their spouses. There are 268 active and 12 retired members in the plan. Retirees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal 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 June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 70,000
Interest on net OPEB obligation	21,000
Adjustment of annual required contribution	<u>(18,030)</u>
Annual OPEB cost	72,970
Contributions made	<u>(34,000)</u>
Increase in net OPEB obligation	38,970
Net OPEB obligation - beginning of year	<u>472,030</u>
Net OPEB obligation - end of year	<u><u>\$ 511,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$34,000 to the medical plan. Plan members receiving benefits contributed \$89,000 or 72% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 169,879	5.30%	\$ 331,000
2013	167,030	15.57%	472,030
2014	72,970	46.59%	511,000

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was approximately \$0.580 million with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$0.580 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9.052 million and the ratio of the UAAL to covered payroll was 6.4%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2013 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2014 applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2014 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$533-\$645 per month for retirees depending on the health plan selected by the retiree. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and vision.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$1,457,778.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Washington 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 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$729,555 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 43,460
Gifted and talented programs	142,397
Beginning teacher mentoring and induction programs	23,708
Teacher salary supplement	94,987
Iowa early intervention block grant	23,746
Successful progression for early readers	13,406
Professional development for model core curriculum	40,471
Professional development	46,010
Teacher leadership grants	543
Total	<u>\$ 428,728</u>

Note 11. City Street Assessment Agreement

During the year ended June 30, 2013, the District entered into a city street assessment agreement with the City of Washington. The city agreed to fix the streets and water mains around the high school in exchange for the District paying the city \$8,000 a year for ten years to cover some of the costs of the repairs. The District made \$8,000 in payments towards this agreement during the year ended June 30, 2014. As of June 30, 2014 eight years remain on this agreement with a total of \$64,000 left to be paid.

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, 2014, expenditures in the other expenditures functional area exceeded the amount budgeted.

Note 13. Prospective Accounting Change

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

Note 14. 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)	\$ -	964,684	2,239,362	3,262,017
Invested in capital assets, net of accumulated depreciation	22,973,891	-	-	-
Revenue bond capitalized indebtedness	(14,470,000)	-	-	-
Capital loan note capitalized indebtedness	(605,000)	-	-	-
Computer lease indebtedness	-	-	-	(350,000)
Termination benefits	-	(123,000)	-	-
Accrued interest payable	-	-	(308,929)	-
Income surtax receivable	-	-	-	645,497
Net OPEB liability	-	-	-	(507,167)
Net position (Exhibit A)	\$ 7,898,891	841,684	1,930,433	3,050,347

Washington Community School District

Required Supplementary Information

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 8,314,537	355,660	8,670,197	9,499,163	9,499,163	(828,966)
State sources	13,306,549	7,457	13,314,006	11,945,554	11,945,554	1,368,452
Federal sources	777,158	523,423	1,300,581	1,395,000	1,395,000	(94,419)
Total revenues	22,398,244	886,540	23,284,784	22,839,717	22,839,717	445,067
Expenditures/Expenses:						
Instruction	13,232,574	-	13,232,574	14,775,000	14,775,000	1,542,426
Support services	5,661,628	-	5,661,628	6,495,000	6,495,000	833,372
Non-instructional programs	-	933,961	933,961	1,000,000	1,000,000	66,039
Other expenditures	3,024,596	-	3,024,596	899,762	899,762	(2,124,834)
Total expenditures/expenses	21,918,798	933,961	22,852,759	23,169,762	23,169,762	317,003
Deficiency of revenues under expenditures/expenses	479,446	(47,421)	432,025	(330,045)	(330,045)	762,070
Other financing sources, net	20,027	2,191	22,218	-	-	22,218
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	499,473	(45,230)	454,243	(330,045)	(330,045)	784,288
Balances beginning of year	8,903,339	493,171	9,396,510	7,259,105	7,259,105	(2,137,405)
Balances end of year	\$ 9,402,812	447,941	9,850,753	6,929,060	6,929,060	(1,353,117)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function 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 ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amount budgeted.

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 676	\$ 676	0.0	% \$ 8,430	8.0 %
2010	July 1, 2008	-	676	676	0.0	10,044	6.7
2011	July 1, 2008	-	676	676	0.0	9,788	6.9
2012	July 1, 2011	-	1,160	1,160	0.0	7,525	15.4
2013	July 1, 2011	-	1,160	1,160	0.0	8,551	13.6
2014	July 1, 2013	-	580	580	0.0	9,052	6.4

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

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

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 948,029	58,572	1,006,601
Receivables:			
Property tax:			
Delinquent	17,411	-	17,411
Succeeding year	525,000	-	525,000
TOTAL ASSETS	\$ 1,490,440	58,572	1,549,012
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 756	11,120	11,876
Deferred inflows of resources			
Unavailable revenue:			
Succeeding year property tax	525,000	-	525,000
Fund balances:			
Restricted for:			
Management levy purposes	964,684	-	964,684
Student activities	-	47,452	47,452
Total fund balances	964,684	47,452	1,012,136
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,490,440	58,572	1,549,012

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,198,935	-	1,198,935
Other	11,500	326,021	337,521
State sources	689	-	689
TOTAL REVENUES	1,211,124	326,021	1,537,145
EXPENDITURES:			
Current:			
Instruction:			
Regular	116,980	-	116,980
Other	-	365,391	365,391
Support services:			
Administration	22,898	-	22,898
Operation and maintenance of plant	164,359	-	164,359
Transportation	99,236	-	99,236
TOTAL EXPENDITURES	403,473	365,391	768,864
Change in fund balances	807,651	(39,370)	768,281
Fund balances beginning of year	157,033	86,822	243,855
Fund balances end of year	\$ 964,684	47,452	1,012,136

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects				Total
	High School Building	Auditorium Project	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
ASSETS					
Cash and pooled investments	\$ 108,730	9,858	1,092,323	983,974	2,194,885
Property tax:					
Delinquent	-	-	-	7,984	7,984
Succeeding year	-	-	-	547,873	547,873
Due from other governments	-	-	507,432	-	507,432
TOTAL ASSETS	\$ 108,730	9,858	1,599,755	1,539,831	3,258,174
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,136	30	-	32,940	35,106
Retainage payable	-	-	214,626	-	214,626
Total liabilities	2,136	30	214,626	32,940	249,732
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	-	-	-	547,873	547,873
Fund balances:					
Restricted for:					
School infrastructure	106,594	9,828	1,385,129	-	1,501,551
Physical plant and equipment	-	-	-	959,018	959,018
Total fund balances	106,594	9,828	1,385,129	959,018	2,460,569
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 108,730	9,858	1,599,755	1,539,831	3,258,174

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects				
	High School	Auditorium	Statewide Sales,	Physical Plant	Total
	Building	Project	Services and Use Tax	and Equipment Levy	
REVENUES					
Local sources:					
Local tax	\$ -	-	-	544,335	544,335
Other	172,075	4,200	55	693	177,023
State sources	-	-	1,551,177	311	1,551,488
TOTAL REVENUES	172,075	4,200	1,551,232	545,339	2,272,846
EXPENDITURES:					
Capital outlay	543,633	30	-	384,035	927,698
Excess(Deficiency) of revenues over(under) expenditures	(371,558)	4,170	1,551,232	161,304	1,345,148
Other financing sources(uses):					
Transfer out	-	-	(1,180,516)	-	(1,180,516)
Sale of property	-	-	-	20,027	20,027
Total other financing sources(uses)	-	-	(1,180,516)	20,027	(1,160,489)
Change in fund balances	(371,558)	4,170	370,716	181,331	184,659
Fund balances beginning of year	478,152	5,658	1,014,413	777,687	2,275,910
Fund balances end of year	\$ 106,594	9,828	1,385,129	959,018	2,460,569

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Districtwide activities	\$ 148	34	-	-	182
HS drama	653	6,615	6,610	(493)	165
HS speech	-	83	576	493	-
HS vocal music	3,316	10,018	12,023	(797)	514
HS instrumental music	1,196	3,110	8,103	3,797	-
HS cross country	-	640	705	711	646
HS cheerleaders	2,013	23,924	16,708	(7,340)	1,889
HS dance team	2,415	672	1,181	(1,802)	104
HS boys basketball	364	10,704	10,497	-	571
HS football	-	74,198	81,538	7,340	-
HS soccer	-	6,701	13,702	7,001	-
HS baseball	-	3,043	6,964	3,921	-
HS boys track	-	9,192	7,575	-	1,617
HS boys golf	-	3,092	8,214	5,122	-
HS wrestling	-	9,536	13,018	3,482	-
HS girls basketball	-	11,926	14,829	2,903	-
HS volleyball	102	16,251	10,629	-	5,724
HS girls soccer	-	2,280	9,375	7,095	-
HS softball	300	4,784	10,387	5,303	-
HS girls track	-	4,653	5,484	831	-
HS girls golf	-	179	1,151	972	-
HS girls bowling	290	52	-	-	342
HS annual	55	17,968	11,691	(5,304)	1,028
HS newspaper	118	-	-	-	118
HS foreign language	127	-	-	-	127
HS art club	3,126	800	221	(3,000)	705
HS dance marathon	205	247	-	(332)	120
HS NHS	-	-	192	192	-
HS earth book	472	1,128	1,332	-	268
HS FFA	6,139	-	1,664	(3,921)	554
HS student recognition	288	-	2,604	2,316	-
HS La Onda	1,770	-	490	(903)	377
HS SADD	88	-	-	-	88
HS BPA	4,081	15,078	13,731	(5,121)	307
HS science club	537	-	-	(483)	54
HS student congress	4,638	938	614	(4,000)	962
HS archery	-	830	2,312	1,482	-
HS JOOI club	-	-	140	140	-
Class of 2014	3,384	-	1,377	(2,000)	7
Class of 2015	1,508	47	148	(1,000)	407
Class of 2016	2,462	147	105	(2,000)	504
Class of 2017	3,555	-	100	(3,001)	454
Class of 2018	268	1	-	-	269

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
HS activities	-	29,736	29,428	-	308
HS fundraiser	407	-	3,240	2,833	-
HS general concessions	367	18,519	15,330	(2,833)	723
HS popcorn	155	-	-	-	155
HS candy sales	238	-	-	-	238
Demon café	1,286	-	-	-	1,286
MS drama	56	771	377	-	450
MS vocal music	1,667	-	359	-	1,308
MS instrumental music	2,509	3,413	4,782	-	1,140
MS cross country	711	80	55	(711)	25
MS cheerleaders	2,152	-	-	-	2,152
MS dance team	757	591	1,127	-	221
MS boys basketball	1,223	1,580	1,181	-	1,622
MS football	-	2,707	2,345	-	362
MS boys track	307	1,071	924	-	454
MS wrestling	823	798	1,032	-	589
MS girls basketball	644	1,659	1,600	-	703
MS volleyball	3,673	1,510	1,380	-	3,803
MS girls track	-	-	524	524	-
MS student congress	1,745	800	1,860	-	685
MS odyssey	306	-	-	-	306
MS snowball	4,598	-	65	-	4,533
MS activities	3,418	-	1,814	(1,410)	194
MS general fundraising	8,958	17,118	14,398	(7,095)	4,583
MS general concessions	213	4,435	5,535	887	-
LN activities	4,634	-	-	(2,317)	2,317
Stewart bookfair	1,235	2,362	2,045	(1,482)	70
Stewart activities	827	-	-	-	827
Assure center	295	-	-	-	295
Total	\$ 86,822	326,021	365,391	-	47,452

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Net Position Beginning of Year	Additions	Deductions	Net Position End of Year
BEEMBLOSSOM SCHOLARSHIP	\$ 12,751	500	500	12,751
BENSON SCHOLARSHIP	228,241	-	2,500	225,741
BUCKLEY SCHOLARSHIP	12,828	-	500	12,328
J&A CALKINS SCHOLARSHIP	425,048	-	11,000	414,048
CAMPBELL SCHOLARSHIP	6,458	-	200	6,258
I&E COFFEY SCHOLARSHIP	52,787	-	2,000	50,787
CORREY SCHOLARSHIP	23,428	-	400	23,028
GIPPLE SCHOLARSHIP	4,511	-	150	4,361
JACOBS NURSING SCHOLARSHIP	5,958	-	-	5,958
KAUFMANN SCHOLARSHIP	3,324	-	-	3,324
KOS EDUCATION SCHOLARSHIP	20,533	-	550	19,983
LEVIS SCHOLARSHIP	3,180	-	-	3,180
MEEK SCHOLARSHIP	15,548	-	750	14,798
MOORE SCHOLARSHIP	9,390	-	300	9,090
RAADA SCHOLARSHIP	5,856	-	175	5,681
REED SCHOLARSHIP	13,943	-	1,000	12,943
RICE SCHOLARSHIP	110,306	-	3,000	107,306
SAMPSON SCHOLARSHIP	15,713	-	650	15,063
SCHELL MUSIC SCHOLARSHIP	14,319	-	400	13,919
SCHELL SCIENCE SCHOLARSHIP	14,729	-	400	14,329
SHIELDS SCHOLARSHIP	24,152	-	750	23,402
SIMPSON SCIENCE SCHOLARSHIP	3,655	-	250	3,405
SITLER NURSING SCHOLARSHIP	59,054	-	-	59,054
STOUT SCHOLARSHIP	22,802	-	1,000	21,802
WALKER SCHOLARSHIP	3,368	-	-	3,368
WESTERMARK SCHOLARSHIP	1,559	-	1,000	559
WILLIAMS SCHOLARSHIP	12,639	-	600	12,039
GREEN SCHOLARSHIP	387	-	-	387
WASH. CO. PORK PRODUCERS SCHOLARSHIP	7,212	-	-	7,212
J B DILL LOAN SCHOLARSHIP	33,143	-	-	33,143
DALE KIESEY SCHOLARSHIP	109,901	21,000	1,000	129,901
WASHINGTON FFA SCHOLARSHIP	-	600	600	-
RICHARD WEEKS SCHOLARSHIP	24,666	-	1,000	23,666
CRONE SCHOLARSHIP	3,267	-	1,000	2,267
MISCELLANEOUS SCHOLARSHIP	1,062	10,925	-	11,987
Total	<u>\$ 1,305,718</u>	<u>33,025</u>	<u>31,675</u>	<u>1,307,068</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 6,687,424	8,213,004	8,108,901	7,799,945	7,345,214	6,633,278	6,203,595	5,950,653	5,860,594	5,042,238
Tuition	582,138	454,860	412,140	545,104	458,126	429,759	480,801	521,579	463,363	481,870
Other	1,044,975	1,308,957	1,207,424	1,488,240	901,746	937,456	713,819	923,221	622,688	574,431
Intermediate sources	-	-	-	-	-	-	-	20,117	-	-
State sources	13,306,549	10,939,286	10,638,525	9,938,932	8,916,552	9,653,403	9,349,024	8,550,259	8,380,075	7,863,313
Federal sources	777,158	730,660	2,287,907	1,132,390	1,962,111	1,240,984	1,474,441	1,340,093	1,250,747	1,557,552
Total	\$ 22,398,244	21,646,767	22,654,897	20,904,611	19,583,749	18,894,880	18,221,680	17,305,922	16,577,467	15,519,404
Expenditures:										
Instruction:										
Regular	\$ 7,455,125	7,662,526	7,559,036	6,375,174	6,770,744	6,825,611	6,609,575	6,370,101	6,246,527	5,706,369
Special	3,160,369	2,588,118	2,655,443	2,533,722	2,468,311	2,086,619	2,148,999	2,267,721	1,927,512	1,781,379
Other	2,617,080	2,419,737	2,841,409	2,822,744	2,542,839	2,464,786	2,182,943	2,237,144	1,585,794	1,539,347
Support services:										
Student	560,206	383,286	377,984	430,355	434,332	449,929	648,992	769,657	1,067,968	1,225,400
Instructional staff	552,932	815,683	635,050	804,727	602,734	1,053,063	884,585	899,178	1,061,102	1,102,230
Administration	2,065,716	1,982,386	1,786,876	1,739,505	1,662,499	1,669,948	1,562,848	1,505,329	1,400,167	1,317,264
Operation and maintenance of plant	1,526,940	1,462,742	1,278,694	1,082,160	1,302,650	1,369,223	1,332,687	1,365,133	1,349,345	1,184,544
Transportation	955,834	828,058	818,430	598,627	692,328	549,254	676,839	740,808	693,682	450,799
Capital outlay	927,698	1,656,052	7,037,987	8,412,217	2,060,495	536,100	3,778,154	1,327,430	239,146	197,846
Long-term debt:										
Principal	730,000	615,000	1,355,000	-	-	-	-	-	-	102,500
Interest and other charges	637,343	610,517	612,787	661,191	500	-	-	-	-	3,663
Other expenditures:										
AEA flow-through	729,555	679,366	659,786	718,584	717,214	638,141	611,128	583,693	545,029	516,270
Total	\$ 21,918,798	21,703,471	27,618,482	26,179,006	19,254,646	17,642,674	20,436,750	18,066,194	16,116,272	15,127,611

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	\$ 81,140
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	413,891 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	28,392
			523,423
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	324,684
TITLE I SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 14	28,608
			353,292
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 11	6,534
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	60,844
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 14	9,141
GRANT WOOD AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	87,672
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	14,475
U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 14	170
TOTAL			\$ 1,055,551

* - Includes \$45,266 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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 Washington Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Washington Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2015.

Internal Control Over Financial Reporting

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

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

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 on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

Washington Community School District's Responses to Findings

Washington Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Washington 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 controls 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 Washington Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2015
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of Washington Community School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

Washington Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Washington Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2015
Newton, Iowa

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

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - CFDA Number 84.010 - Title I - Schools in Need of Assistance
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Washington Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, custody of investments and reconciling earnings.
- 3) Receipts - journalizing, posting and reconciling.
- 4) Financial reporting - preparing, reconciling and approving.
- 5) School lunch program - collecting, recording, journalizing, depositing, and posting.

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

Response - The District will continue to work at identifying procedures that will result in the separating of duties listed so that an individual does not have sole control over the listed areas.

Conclusion - Response accepted.

OTHER MATTERS:

II-B-14 Student Activity Fund Interest - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund that have earned the interest.

Recommendation - Interest earned each year should be allocated to the individual student activity accounts that have earned the interest on an annual basis.

Response - The District will allocate earned interest to individual student accounts on an annual basis.

Conclusion - Response accepted.

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I - Grants to Local Educational Agencies
CFDA Number 84.010: Title I - Schools In Need of Assistance
Federal Award Year: 2014
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of internal accounting control is the (2014-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, custody of investments and reconciling earnings.
- 3) Receipts - journalizing, posting and reconciling.
- 4) Financial reporting - preparing, reconciling and approving.
- 5) School lunch program - collecting, recording, journalizing, depositing, and posting.

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

Response - The District will continue to work at identifying procedures that will result in the separating of duties listed so that an individual does not have sole control over the listed areas.

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014, exceeded the amount budgeted in the other expenditures functional area.

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

Response - The District will review budgeted expenditures and correctly amend the budget when necessary.

Conclusion - Response accepted.

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

IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Scott Danielson, Teacher Owner RDL Mowing Inc.	Purchased Services	\$4,018
Steven Roth, Teacher Owner RDL Mowing Inc.	Purchased Services	\$4,018
Curt Levetzow, Coach Owner RDL Mowing Inc.	Purchased Services	\$4,018
Total RDL Mowing Inc.		<u>\$12,054</u>
Eric Turner, Board President Owns JET Physical Therapy	Purchased Services, per Bid	\$5,000

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teachers and District coach do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board President do not appear to represent a conflict of interest, as the services were bid by the District and the President abstained from the vote.

- IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.
- Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.
- Response - The District will work to ensure board minutes are published in a timely manner.
- Conclusion - Response accepted.
- IV-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted. However we did note the following operational sharing adjustment from the fall 2013 count date.
- Operational Sharing Adjustments:** We noted an operational sharing adjustment for a shared transportation director of +5.0 and a shared maintenance employee of +1.0 which were not certified by the District for the Fall 2013 count date for a total operational sharing adjustment of +6.0.
- Recommendation - The Iowa Department of Education and the Iowa Department of Management should be contacted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf of the District to resolve the above matters.
- Conclusion - Response accepted.
- IV-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-14 Student Activity Fund - In accordance with 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 co-curricular and extracurricular activities offered as a part of the education program for students.

Questionable Accounts: The HS Popcorn, HS Candy Sales, MS Activities, MS Fundraising, MS Concessions, HS concessions, HS activities, LN activities, Stewart Bookfair and Stewart activities accounts do not appear to be extracurricular or co-curricular in nature. These accounts appear to be administratively maintained rather than maintained by a club or organization.

Recommendation - The District should review the propriety of revenues and expenditures that are recorded in these accounts. It would appear that these accounts are administratively maintained, rather than maintained by a club or organization. The District should review these accounts and reclassify/transfer to the appropriate accounts in the Student Activity Fund to be in compliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Response - The District will seek help in dispersing the Student Activity accounts used for fundraising to reclassify/transfer those accounts appropriately.

Conclusion - Response accepted.

Questionable Expenditures: We noted the District paid for a water irrigation system for the District's football field out of the HS Football account within the Student Activity Fund. This appears to be an upgrade to District facilities and would appear to be more appropriately handled out of the Capital Projects Fund.

Recommendation - The District should review the propriety of expenditures paid out of the Student Activity Fund. The expenditures associated with the new water irrigation system for the football field would appear more appropriate in the Capital Projects Fund.

Response - The District will seek help in reclassifying the expenditures for the irrigation system to the Capital Projects Fund.

Conclusion - Response accepted.

IV-M-14 Statewide Sales, Services 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.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	1,014,413
Revenues:			
Sales tax revenues	\$	1,551,177	
Other local revenues		55	1,551,232
			<u>2,565,645</u>
Expenditures/Transfers out:			
Transfers to other funds:			
Debt service			<u>1,180,516</u>
Ending Balance		\$	<u><u>1,385,129</u></u>

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

IV-N-14 Athletic Officials Contracts - We noted during our audit that the athletic director's is currently signing all athletic officials' contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District, including athletic officials to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District has made an adjustment to athletic officials contract, they are now being signed by the board president.

Conclusion - Response accepted.