

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATE CENTER, IOWA

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

JUNE 30, 2014

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WEST MARSHALL COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------------------|--|---------------------|
| <u>Board of Education</u> | | |
| (Before September 2013 election) | | |
| Lisa Breja | President | 2015 |
| Wayne Larsen | Vice President | 2013 |
| Steve Smith | Board Member | 2013 |
| Tom Hemesath | Board Member | 2013 |
| Julie Randall | Board Member | 2015 |
| Gary Conkin | Board Member | 2015 |
| Jeff Lanning | Board Member | 2015 |
| (After September 2013 election) | | |
| Wayne Larsen | President | 2017 |
| Tom Hemesath | Vice President | 2017 |
| Julie Randall | Board Member | 2015 |
| Gary Conkin | Board Member | 2015 |
| Jeff Lanning | Board Member | 2015 |
| Lisa Breja | Board Member | 2015 |
| Don Porter | Board Member | 2017 |
| <u>School Officials</u> | | |
| Nicole Kooiker | Superintendent | 2015 |
| Stephanie Edler | District Secretary/Treasurer and Business Manager | 2014 |
| Rex Ryden | Attorney | 2014 |

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Marshall Community School District, State Center Iowa, as of and for the year ended June 30, 2014 and the related notes to financial statements, which collectively comprise the District's basic financial statements 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 14 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Marshall Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statement for the six years ended June 30, 2010 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2014 on our consideration of West Marshall Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Marshall Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
October 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,222,143 in fiscal 2013 to \$8,528,018 in fiscal 2014, while General Fund expenditures increased from \$8,239,543 in fiscal 2013 to \$8,315,617 in fiscal 2014. The District's General Fund balance increased from \$2,526,317 in fiscal 2013 to \$2,738,718 in fiscal 2014, an 8% increase.
- The increase in General Fund revenues was primarily attributable to an increase in state aid due to a one-time 2% supplemental state aid increase. The District also experienced a 5.5% increase in taxable valuation, resulting in an increase in property taxes received.
- The small increase in General Fund expenditures was due mainly to offering salary and benefit increases with careful cost management in other areas.

USING THIS ANNUAL REPORT

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

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

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

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

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.

Supplementary Information provides detailed information about the nonmajor funds.

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

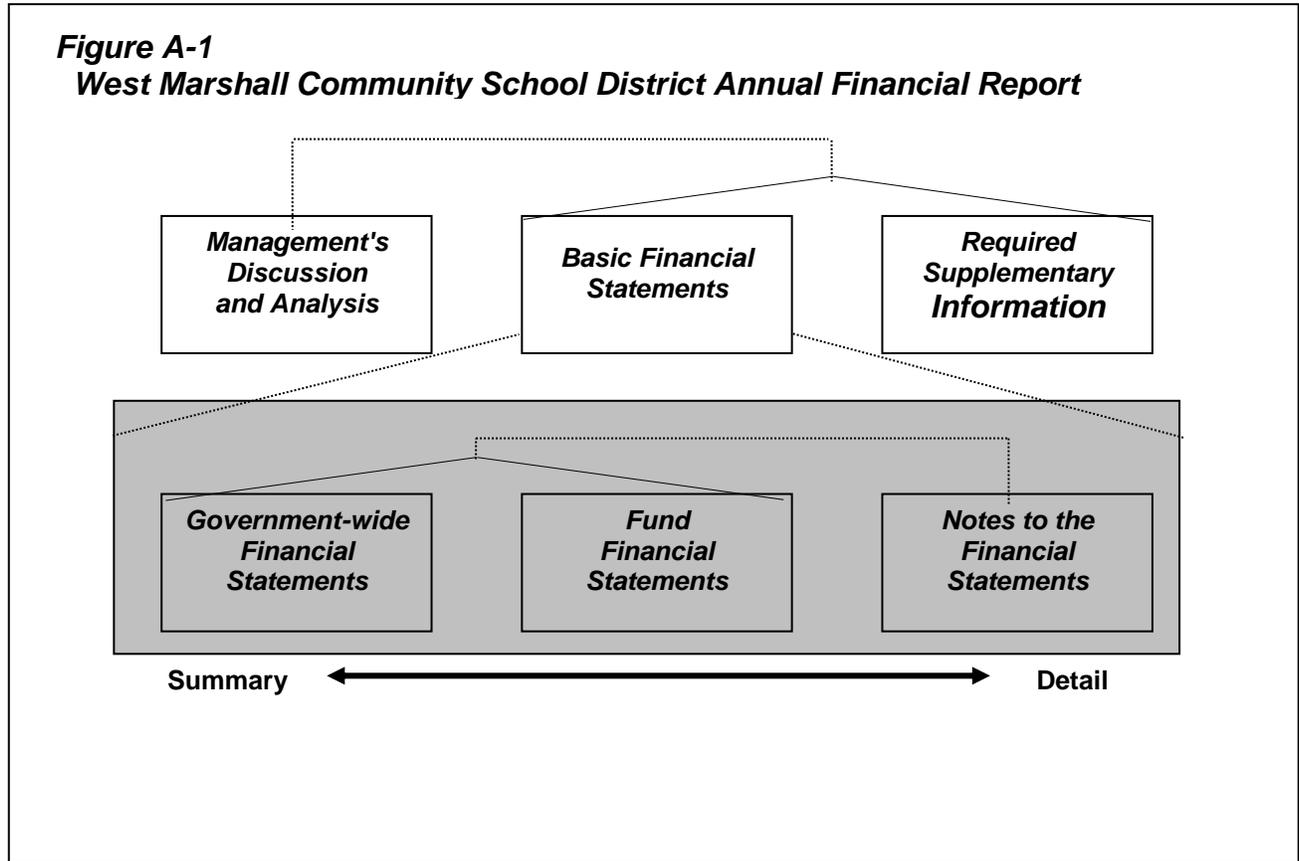


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's self-insurance fund.

The required financial statements for 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

| | Condensed Statement of Net Position | | | | | | Percentage Change 2013-14 |
|--|-------------------------------------|-------------------|-----------------------------|----------------|--------------------------|-------------------|---------------------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Current and other assets | 8,309,685 | 8,788,193 | 139,325 | 121,535 | 8,449,010 | 8,909,728 | 5.5% |
| Capital assets | 13,344,533 | 13,133,188 | 169,448 | 163,680 | 13,513,981 | 13,296,868 | (1.6)% |
| Total assets | 21,654,218 | 21,921,381 | 308,773 | 285,215 | 21,962,991 | 22,206,596 | 1.1% |
| Long-term liabilities | 10,160,399 | 9,918,914 | - | - | 10,160,399 | 9,918,914 | (2.4)% |
| Other liabilities | 3,785,997 | 1,029,092 | 15,917 | 16,447 | 3,801,914 | 1,045,539 | (72.5)% |
| Total liabilities | 13,946,396 | 10,948,006 | 15,917 | 16,447 | 13,962,313 | 10,964,453 | (21.5)% |
| Deferred Inflows | - | 2,701,121 | - | - | - | 2,701,121 | N/A |
| Net Position | | | | | | | |
| Invested in capital assets, net of related debt | 3,549,533 | 3,708,188 | 169,448 | 163,680 | 3,718,981 | 3,871,868 | 4.1% |
| Restricted | 1,522,339 | 1,850,056 | - | - | 1,522,339 | 1,850,056 | 21.5% |
| Unrestricted- | 2,635,950 | 2,714,010 | 123,408 | 105,088 | 2,759,358 | 2,819,098 | 2.2% |
| TOTAL NET POSITION | 7,707,822 | 8,272,254 | 292,856 | 268,768 | 8,000,678 | 8,541,022 | 6.8% |

The District's combined total net position increased by 6.8%, or approximately \$540,344, over the prior year.

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 approximately \$327,717 or 21.5% over 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 –increased approximately \$59,740, or 2.2%.

Figure A-4 shows the change in net position for the years ended June 30, 2013 and 2014.

Figure A-4

| | Change in Net position | | | | | | Percentage Change 2013-2014 |
|---|----------------------------|------------------|-----------------------------|-----------------|--------------------------|-------------------|-----------------------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2013 \$ | 2014 \$ | 2013 \$ | 2014 \$ | 2013 \$ | 2014 \$ | |
| Revenues | | | | | | | |
| Program Revenues: | | | | | | | |
| Charges for services | 911,223 | 1,033,769 | 266,033 | 264,919 | 1,177,256 | 1,298,688 | 10.3% |
| Operating grants & contributions | 1,105,648 | 1,139,614 | 177,710 | 195,151 | 1,283,358 | 1,334,765 | 4.0% |
| Capital grants & contributions | - | - | 28,291 | - | 28,291 | - | (100.0)% |
| General Revenues: | | | | | | | |
| Property taxes | 2,564,463 | 2,730,186 | - | - | 2,564,464 | 2,730,186 | 6.5% |
| Income Surtax | 364,539 | 383,254 | - | - | 364,539 | 383,254 | 5.1% |
| Statewide sales & services tax | 741,620 | 755,349 | - | - | 741,620 | 755,349 | 1.9% |
| Unrestricted state and federal grants | 3,784,375 | 3,843,972 | - | - | 3,784,375 | 3,843,972 | 1.6% |
| Unrestricted investment earnings | 59,698 | 44,504 | 104 | 80 | 59,802 | 44,584 | (25.4)% |
| Other revenue | 40,857 | 20,196 | - | - | 40,857 | 20,196 | (50.6)% |
| Total Revenues | 9,572,423 | 9,950,844 | 472,138 | 460,150 | 10,044,562 | 10,410,994 | 3.6% |
| Expenses: | | | | | | | |
| Instruction | 5,175,925 | 5,246,619 | 64,260 | 66,720 | 5,240,185 | 5,313,339 | 1.4% |
| Support services | 2,952,707 | 3,034,560 | 9,940 | 9,465 | 2,962,647 | 3,044,025 | 2.7% |
| Non-instructional programs | - | - | 417,203 | 408,053 | 417,203 | 408,053 | (2.2)% |
| Other expenditures | 1,242,727 | 1,105,233 | - | - | 1,242,727 | 1,105,233 | (11.1)% |
| Total expenses | 9,371,359 | 9,386,412 | 491,403 | 484,238 | 9,862,762 | 9,870,650 | 0.1% |
| CHANGE IN NET POSITION | 201,064 | 564,432 | (19,265) | (24,088) | 181,799 | 540,344 | 197.2% |
| Net position beginning of year, as restated | 7,506,758 | 7,707,822 | 312,121 | 292,856 | 7,818,879 | 8,000,678 | 2.3% |
| Net position end of year | 7,707,822 | 8,272,254 | 292,856 | 268,768 | 8,000,678 | 8,541,022 | 6.8% |

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 54% and 31% respectively, of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,950,844, a 3.6% increase over 2013. The increase was due to an increase in state funding, attributable to increased supplemental state aid. Expenses were \$9,386,412, up slightly from 2013. The increase was due mainly to increased salaries.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------------|------------------------|------------------|---------------------|----------------------|------------------|---------------------|
| | 2013 \$ | 2014 \$ | Change 2013-2014 | 2013 \$ | 2014 \$ | Change 2013-2014 |
| Instruction | 5,175,925 | 5,246,619 | 1.4% | 3,571,601 | 3,538,768 | (0.9)% |
| Support Services | 2,952,707 | 3,034,560 | 2.8% | 2,883,291 | 2,921,088 | 1.3% |
| Non-instructional Programs | - | - | 0% | - | - | |
| Other Expenses | 1,242,727 | 1,105,233 | (11.1)% | 899,596 | 753,173 | (16.3)% |
| TOTAL | 9,371,359 | 9,386,412 | 0.2% | 7,354,488 | 7,213,029 | (1.9)% |

- The cost financed by users of the District's programs was \$1,033,769. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- State and federal governments subsidized certain programs with grants and contributions totaling \$1,139,614.
- The net cost of governmental activities was financed primarily with \$3,113,440 in property and other local taxes and \$3,843,972 in unrestricted state and federal grants.

Business Type Activities

Revenues for business type activities were \$460,150 and expenses were \$484,238. The District's business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2014, the District increased meal prices. The increase ranged from \$0.05-\$0.10 for breakfast, lunch and milk.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Marshall 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 a combined fund balance of \$4,811,008, as compared to last year's ending fund balances of \$4,342,575.

Governmental Fund Highlights

- The General Fund balance increased from \$2,526,317 to \$2,738,718, or 8%. The district strives to keep expenditures close to our revenues. This year the District expended 97% of the general fund revenues.
- The Capital Projects Fund balance increased from \$1,250,237 in 2013 to \$1,314,105 in 2014 due to limiting our spending in this fund to bond obligations.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$222,944 at June 30, 2013, to \$207,565 at June 30, 2014, representing a decrease of approximately 6.9%. The District increased meal prices in 2014 and will increase them again in 2015. The decrease in net position is due to decreased participation in the school lunch program as well as increasing food costs.

Tuition for preschool remained unchanged in 2014. The preschool raises funds to help keep the tuition manageable. The District applied for the Statewide Voluntary Preschool funding in FY14 and was approved. Funding for this program will be based on the certified enrollment count in October 2014 to receive funds in 2015-16.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Marshall Community School District did not amend its annual budget.

The District's receipts were \$367,140 more than budgeted receipts. The District's expenditures/expenses were less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$13.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$461,310.

Figure A-6

Capital Assets (net of depreciation)

| | Governmental Activities | | Business type Activities | | Total School District | | Percentage Change 2013-2014 |
|--------------------------|----------------------------|-------------------|-----------------------------|----------------|--------------------------|-------------------|-----------------------------------|
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | 125,000 | 125,000 | - | - | 125,000 | 125,000 | 0.0% |
| Construction in progress | - | - | - | - | - | - | |
| Buildings | 12,765,036 | 12,490,678 | - | - | 12,765,036 | 12,490,678 | (2.1)% |
| Improvements | 283,490 | 301,933 | - | - | 283,490 | 301,933 | 6.5% |
| Equipment & Furniture | 171,007 | 215,577 | 169,448 | 163,680 | 340,455 | 379,257 | 11.4% |
| TOTAL | 13,344,533 | 13,133,188 | 169,448 | 163,680 | 13,513,981 | 13,296,868 | (1.6)% |

Long-Term Debt

At June 30, 2014, the District had \$9,918,914 in general obligation bonds, revenue bonds and other long-term liabilities outstanding. This represents a decrease of approximately 2% from last year. (See Figure A-7) The decrease is due primarily to the principal payments made on our outstanding General Obligation and Revenue

Bonds. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

There were three employees that took advantage of the District's Early Retirement Policy at the end of the 2013-14 school year, two teachers and one support staff member. The outstanding long-term obligation is largely due to the GO and revenue bonds sold in 2010 to fund the middle school construction project.

**Figure A-7
Outstanding Long-Term Obligations**

| | Total School District | | Percentage |
|--------------------------------------|------------------------------|------------------|-------------------|
| | 2013 | 2014 | Change |
| | | | 2013-2014 |
| | \$ | \$ | |
| General Obligation Bonds | 3,895,000 | 3,600,000 | (7.8)% |
| Revenue bonds | 5,900,000 | 5,825,000 | (1.1)% |
| Termination benefits | 245,399 | 271,914 | 10.8% |
| Other postemployment benefits (OPEB) | 120,000 | 222,000 | 85% |
| | 10,160,399 | 9,918,914 | (2.4)% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The federal Health Care Reform is expected to increase health insurance costs, both directly and indirectly.
- The Education Reform set forth by the State of Iowa could result in increased salary and benefits costs for the District.
- GASB 68, which requires employers to report their share of the pension liability (IPERS) on their financial statements, will be effective for FY15. I anticipate the biggest impact to be on the School Nutrition Fund.
- The District anticipates building a new track with construction to begin in spring 2015 and finish in late summer.

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 Nicole Kooiker, Superintendent, West Marshall Community School District, 601 3rd St. NW, PO Box 670, State Center, IA 50247.

Basic Financial Statements

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|--|--|---|--------------|
| Assets | | | |
| Cash and pooled investments | \$ 5,313,915 | \$ 97,118 | \$ 5,411,033 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 30,451 | - | 30,451 |
| Succeeding year | 2,701,121 | - | 2,701,121 |
| Income surtax | 345,364 | - | 345,364 |
| Accounts | 70 | - | 70 |
| Due from other governments | 397,272 | - | 397,272 |
| Inventories | - | 24,417 | 24,417 |
| Capital assets, net of accumulated depreciation (note 4) | 13,133,188 | 163,680 | 13,296,868 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | 21,921,381 | 285,215 | 22,206,596 |
| Liabilities | | | |
| Accounts payable | 162,830 | 305 | 163,135 |
| Salaries and benefits payable | 732,172 | 8,027 | 740,199 |
| Unearned revenue | - | 8,115 | 8,115 |
| Accrued interest payable | 134,090 | - | 134,090 |
| Long-term liabilities (note 5): | | | |
| Portion due within one year: | | | |
| Early retirement | 91,733 | - | 91,733 |
| Bonds payable | 420,000 | - | 420,000 |
| Portion due after one year: | | | |
| Early retirement | 180,181 | - | 180,181 |
| Bonds payable | 9,005,000 | - | 9,005,000 |
| Net OPEB liability | 222,000 | - | 222,000 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | 10,948,006 | 16,447 | 10,964,453 |
| Deferred Inflows of Resources | | | |
| Unavailable property tax revenue | 2,701,121 | - | 2,701,121 |
| | <hr/> | <hr/> | <hr/> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|--|--|---|-------------------------|
| Net Position | | | |
| Net investment in capital assets | \$ 3,708,188 | \$ 163,680 | \$ 3,871,868 |
| Restricted for: | | | |
| Categorical funding | 147,906 | - | 147,906 |
| Debt service | 753,511 | - | 753,511 |
| Capital projects | 764,658 | - | 764,658 |
| Physical plant and equipment levy purposes | 40,547 | - | 40,547 |
| Student activities | 143,434 | - | 143,434 |
| Unrestricted | <u>2,714,010</u> | <u>105,088</u> | <u>2,819,098</u> |
| Total net position | <u>\$ 8,272,254</u> | <u>\$ 268,768</u> | <u>\$ 8,541,022</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | |
|--|---------------------|----------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions |
| Governmental Activities: | | | |
| Instruction | | | |
| Regular instruction | 3,348,100 | 696,689 | 694,469 |
| Special instruction | 864,294 | 100,065 | 63,470 |
| Other instruction | 1,034,225 | 153,158 | - |
| | <u>\$ 5,246,619</u> | <u>\$ 949,912</u> | <u>\$ 757,939</u> |
| Support services: | | | |
| Student | 316,169 | - | 11,029 |
| Instructional staff | 320,066 | 74,903 | 18,586 |
| Administration | 943,353 | - | - |
| Operation and maintenance of plant | 895,992 | 8,884 | - |
| Transportation | 558,980 | 70 | - |
| | <u>3,034,560</u> | <u>83,857</u> | <u>29,615</u> |
| Other expenditures: | | | |
| Facilities acquisition | 30,084 | - | - |
| Long-term debt interest and fiscal charges | 338,459 | - | - |
| AEA flowthrough | 352,060 | - | 352,060 |
| Depreciation (unallocated) * | 384,630 | - | - |
| | <u>1,105,233</u> | <u>-</u> | <u>352,060</u> |
| Total governmental activities | <u>9,386,412</u> | <u>1,033,769</u> | <u>1,139,614</u> |
| Business-Type Activities: | | | |
| Instruction: | | | |
| Preschool operations | 66,720 | 58,011 | - |
| | <u>66,720</u> | <u>58,011</u> | <u>-</u> |
| Support services: | | | |
| Food service operations | \$ 9,465 | \$ - | \$ - |

Net (Expense) Revenue
and Changes in Net Position

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|----------------|
| (1,956,942) | - | (1,956,942) |
| (700,759) | - | (700,759) |
| (881,067) | - | (881,067) |
| \$ (3,538,768) | \$ - | \$ (3,538,768) |
| (305,140) | - | (305,140) |
| (226,577) | - | (226,577) |
| (943,353) | - | (943,353) |
| (887,108) | - | (887,108) |
| (558,910) | - | (558,910) |
| (2,921,088) | - | (2,921,088) |
| (30,084) | - | (30,084) |
| (338,459) | - | (338,459) |
| - | - | - |
| (384,630) | - | (384,630) |
| (753,173) | - | (753,173) |
| (7,213,029) | - | (7,213,029) |
| - | (8,709) | (8,709) |
| \$ - | \$ (9,465) | \$ (9,465) |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | |
|---------------------------------------|--------------|----------------------|--|
| | | Charges for Services | Operating Grants, Operating Grants and Contributions |
| Business-Type Activities (continued): | | | |
| Non-instructional programs: | | | |
| Food service operations | \$ 408,053 | \$ 206,908 | \$ 195,151 |
| Total business-type activities | 484,238 | 264,919 | 195,151 |
| Total | \$ 9,870,650 | \$ 1,298,688 | \$ 1,334,765 |

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

| <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> |
|--|---|---------------------|
| \$ _____ - | \$ _____ (5,994) | \$ _____ (5,994) |
| _____ - | _____ (24,168) | _____ (24,168) |
| _____ (7,213,029) | _____ (24,168) | _____ (7,237,197) |
| | | |
| \$ 2,395,441 | \$ - | \$ 2,395,441 |
| 252,787 | - | 252,787 |
| 81,958 | - | 81,958 |
| 383,254 | - | 383,254 |
| 755,349 | - | 755,349 |
| 3,843,972 | - | 3,843,972 |
| 44,504 | 80 | 44,584 |
| 20,196 | - | 20,196 |
| _____ 7,777,461 | _____ 80 | _____ 7,777,541 |
| 564,432 | (24,088) | 540,344 |
| _____ 7,707,822 | _____ 292,856 | _____ 8,000,678 |
| \$ <u>8,272,254</u> | \$ <u>268,768</u> | \$ <u>8,541,022</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor</u> | <u>Total</u> |
|-----------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 3,489,331 | \$ 1,027,990 | \$ 755,150 | \$ 5,272,471 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 24,758 | 900 | 4,793 | 30,451 |
| Succeeding year | 2,193,131 | 80,014 | 427,976 | 2,701,121 |
| Income surtax | 345,364 | - | - | 345,364 |
| Accounts | - | - | 70 | 70 |
| Due from other governments | 112,057 | 285,215 | - | 397,272 |
| Total assets | <u>\$ 6,164,641</u> | <u>\$ 1,394,119</u> | <u>\$ 1,187,989</u> | <u>\$ 8,746,749</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor</u> | <u>Total</u> |
|--|---------------------|-----------------------------|---------------------|---------------------|
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 155,664 | \$ - | \$ 1,420 | \$ 157,084 |
| Salaries and benefits payable | 731,764 | - | 408 | 732,172 |
| Total liabilities | <u>887,428</u> | <u>-</u> | <u>1,828</u> | <u>889,256</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | 2,193,131 | 80,014 | 427,976 | 2,701,121 |
| Other | 345,364 | - | - | 345,364 |
| Total deferred inflows of resources | <u>2,538,495</u> | <u>80,014</u> | <u>427,976</u> | <u>3,046,485</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Categorical funding (note 10) | 147,906 | - | - | 147,906 |
| Revenue bonds reserve fund | - | 508,900 | - | 508,900 |
| Debt service | - | - | 378,701 | 378,701 |
| School infrastructure | - | 764,658 | - | 764,658 |
| Physical plant and equipment | - | 40,547 | - | 40,547 |
| Management levy purposes | - | - | 236,050 | 236,050 |
| Student activities | - | - | 143,434 | 143,434 |
| Unassigned | 2,590,812 | - | - | 2,590,812 |
| Total fund balances | <u>2,738,718</u> | <u>1,314,105</u> | <u>758,185</u> | <u>4,811,008</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 6,164,641</u> | <u>\$ 1,394,119</u> | <u>\$ 1,187,989</u> | <u>\$ 8,746,749</u> |

See notes to financial statements.

WEST MARSHALL 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 | \$ 4,811,008 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 13,133,188 |
| An Internal Service Fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. | 35,698 |
| Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. | 345,364 |
| Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. | (134,090) |
| Long-term liabilities, including early retirement, bonds payable compensated absences, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. | <u>(9,918,914)</u> |
| Net position of governmental activities | <u>\$ 8,272,254</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

| | General | Capital Projects | Nonmajor | Total |
|--|------------------|---------------------|------------------|------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 2,592,198 | \$ 81,957 | \$ 433,161 | \$ 3,107,316 |
| Tuition | 757,447 | - | - | 757,447 |
| Other | 199,474 | 6,399 | 139,836 | 345,709 |
| State sources | 4,803,371 | 755,349 | - | 5,558,720 |
| Federal sources | 175,528 | - | - | 175,528 |
| Total revenues | <u>8,528,018</u> | <u>843,705</u> | <u>572,997</u> | <u>9,944,720</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 4,989,967 | - | 178,563 | 5,168,530 |
| Support services: | | | | |
| Student | 315,908 | - | 261 | 316,169 |
| Instructional staff | 320,066 | - | - | 320,066 |
| Administration | 856,979 | 16 | 70,075 | 927,070 |
| Operation and maintenance of plant | 903,807 | - | 45,644 | 949,451 |
| Transportation | 576,830 | - | 8,746 | 585,576 |
| | <u>2,973,590</u> | <u>16</u> | <u>124,726</u> | <u>3,098,332</u> |
| Other expenditures: | | | | |
| Facilities acquisition | - | 91,812 | - | 91,812 |
| Long term debt: | | | | |
| Principal | - | - | 370,000 | 370,000 |
| Interest and fiscal charges | - | - | 395,553 | 395,553 |
| AEA flowthrough | 352,060 | - | - | 352,060 |
| | <u>352,060</u> | <u>91,812</u> | <u>765,553</u> | <u>1,209,425</u> |
| Total expenditures | <u>8,315,617</u> | <u>91,828</u> | <u>1,068,842</u> | <u>9,476,287</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>212,401</u> | <u>751,877</u> | <u>(495,845)</u> | <u>468,433</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor</u> | <u>Total</u> |
|--------------------------------------|---------------------|-----------------------------|-------------------|---------------------|
| Other financing sources (uses): | | | | |
| Interfund transfers in (note 3) | \$ - | \$ - | \$ 688,009 | \$ 688,009 |
| Interfund transfers out (note 3) | - | (688,009) | - | (688,009) |
| Total other financing sources (uses) | <u>-</u> | <u>(688,009)</u> | <u>688,009</u> | <u>-</u> |
| Net change in fund balances | 212,401 | 63,868 | 192,164 | 468,433 |
| Fund balances beginning of year | <u>2,526,317</u> | <u>1,250,237</u> | <u>566,021</u> | <u>4,342,575</u> |
| Fund balances end of year | <u>\$ 2,738,718</u> | <u>\$ 1,314,105</u> | <u>\$ 758,185</u> | <u>\$ 4,811,008</u> |

See notes to financial statements.

WEST MARSHALL 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

Net change in fund balances - total governmental funds \$ 468,433

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. The amounts of capital outlays and depreciation expense in the current year are as follows:

| | | | |
|--|----------------------|------------------|-----------|
| | Capital outlays | \$ 230,215 | |
| | Depreciation expense | <u>(441,560)</u> | (211,345) |

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 6,124

An Internal Service Fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities. 2,641

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 370,000

Interest on long-term debt and amortization of bond issuance costs and bond premiums in the Statement of Activities differs from the amount reported in the governmental funds because interest and related costs are recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues and other costs are amortized. 57,094

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

| | | | |
|--|--------------------|------------------|------------------|
| | Early retirement | (26,515) | |
| | Net OPEB liability | <u>(102,000)</u> | <u>(128,515)</u> |

Change in net position of governmental activities \$ 564,432

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

| | Enterprise Funds | | | Governmental |
|---|---------------------|--------------------------------|-------------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Assets | | | | |
| Cash and cash equivalents | \$ 28,127 | \$ 68,991 | \$ 97,118 | \$ 41,444 |
| Inventories | 24,417 | - | 24,417 | - |
| Capital assets, net of accumulated depreciation (note 4) | 163,680 | - | 163,680 | - |
| Total assets | <u>216,224</u> | <u>68,991</u> | <u>285,215</u> | <u>41,444</u> |
| Liabilities | | | | |
| Accounts payable | 305 | - | 305 | 5,746 |
| Salaries and benefits payable | 239 | 7,788 | 8,027 | - |
| Deferred revenue | 8,115 | - | 8,115 | - |
| Total liabilities | <u>8,659</u> | <u>7,788</u> | <u>16,447</u> | <u>5,746</u> |
| Fund Net Position | | | | |
| Invested in capital assets | 163,680 | - | 163,680 | - |
| Unrestricted | 43,885 | 61,203 | 105,088 | 35,698 |
| Total fund net position | <u>\$ 207,565</u> | <u>\$ 61,203</u> | <u>\$ 268,768</u> | <u>\$ 35,698</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 Year Ended June 30, 2014

| | Enterprise Funds | | | Governmental |
|-----------------------------|---------------------|--------------------------------|--------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Operating revenues: | | | | |
| Local sources: | | | | |
| Charges for services | \$ 206,908 | \$ 58,011 | \$ 264,919 | \$ 67,817 |
| Operating expenses: | | | | |
| Instruction: | | | | |
| Salaries | - | 49,089 | 49,089 | - |
| Benefits | - | 15,120 | 15,120 | - |
| Services | - | 397 | 397 | - |
| Supplies | - | 1,847 | 1,847 | - |
| Other | - | 267 | 267 | - |
| | - | 66,720 | 66,720 | - |
| Support services: | | | | |
| Purchased services | 8,033 | - | 8,033 | 65,225 |
| Supplies | 1,432 | - | 1,432 | - |
| | 9,465 | - | 9,465 | 65,225 |
| Non-instructional programs: | | | | |
| Salaries | 136,212 | - | 136,212 | - |
| Benefits | 29,235 | - | 29,235 | - |
| Purchased services | 2,792 | - | 2,792 | - |
| Supplies | 220,064 | - | 220,064 | - |
| Depreciation | 19,750 | - | 19,750 | - |
| | 408,053 | - | 408,053 | - |
| Total operating expenses | 417,518 | 66,720 | 484,238 | 65,225 |
| Operating income (loss) | \$ (210,610) | \$ (8,709) | \$ (219,319) | \$ 2,592 |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 Year Ended June 30, 2014

| | Enterprise Funds | | | Governmental |
|-------------------------------------|---------------------|--------------------------------|-------------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Non-operating revenues: | | | | |
| State sources | \$ 3,808 | \$ - | \$ 3,808 | \$ - |
| Federal sources | 191,343 | - | 191,343 | - |
| Interest income | 80 | - | 80 | 49 |
| Total non-operating revenues | <u>195,231</u> | <u>-</u> | <u>195,231</u> | <u>49</u> |
| Change in fund net position | (15,379) | (8,709) | (24,088) | 2,641 |
| Fund net position beginning of year | <u>222,944</u> | <u>69,912</u> | <u>292,856</u> | <u>33,057</u> |
| Fund net position end of year | <u>\$ 207,565</u> | <u>\$ 61,203</u> | <u>\$ 268,768</u> | <u>\$ 35,698</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Enterprise Funds | | Total | Governmental |
|---|------------------|--------------------------|------------------|-----------------------|
| | School Nutrition | Nonmajor Enterprise Fund | | Internal Service Fund |
| Cash flows from operating activities: | | | | |
| Cash received from sale of lunches and breakfasts | \$ 205,762 | \$ - | \$ 205,762 | \$ - |
| Cash received from miscellaneous operating activities | 1,679 | 58,011 | 59,690 | 67,817 |
| Cash payments to employees for services | (165,208) | (63,968) | (229,176) | - |
| Cash payments to suppliers for goods or services | (213,351) | (2,511) | (215,862) | (71,858) |
| Net cash used by operating activities | <u>(171,118)</u> | <u>(8,468)</u> | <u>(179,586)</u> | <u>(4,041)</u> |
| Cash flows from non-capital financing activities: | | | | |
| State grants received | 3,808 | - | 3,808 | - |
| Federal grants received | 161,159 | - | 161,159 | - |
| Net cash provided by non-capital financing activities | <u>164,967</u> | <u>-</u> | <u>164,967</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | <u>(13,982)</u> | <u>-</u> | <u>(13,982)</u> | <u>-</u> |
| Cash flows from investing activities: | | | | |
| Interest on investments | <u>80</u> | <u>-</u> | <u>80</u> | <u>49</u> |
| Net decrease in cash and cash equivalents | (20,053) | (8,468) | (28,521) | (3,992) |
| Cash and cash equivalents beginning of year | <u>48,180</u> | <u>77,459</u> | <u>125,639</u> | <u>45,436</u> |
| Cash and cash equivalents end of year | <u>\$ 28,127</u> | <u>\$ 68,991</u> | <u>\$ 97,118</u> | <u>\$ 41,444</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Enterprise Funds | | Total | Governmental |
|--|---------------------|--------------------------|---------------------|-----------------------|
| | School Nutrition | Nonmajor Enterprise Fund | | Internal Service Fund |
| Reconciliation of operating income (loss) to net cash used by operating activities: | | | | |
| Operating income (loss) | \$ (210,610) | \$ (8,709) | \$ (219,319) | \$ 2,592 |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | | | | |
| Commodities used | 30,184 | - | 30,184 | - |
| Depreciation | 19,750 | - | 19,750 | - |
| (Increase) in inventories | (10,731) | - | (10,731) | - |
| (Decrease) in accounts payable | (483) | - | (483) | (6,633) |
| Increase in salaries and benefits payable | 239 | 241 | 480 | - |
| Increase in deferred revenue | 533 | - | 533 | - |
| Net cash used by operating activities | \$ <u>(171,118)</u> | \$ <u>(8,468)</u> | \$ <u>(179,586)</u> | \$ <u>(4,041)</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$30,184 of federal commodities.

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

West Marshall Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of State Center, Melbourne, Rhodes, Clemons, St. Anthony and Lamoille, Iowa, and agricultural territory in Marshall County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, West Marshall 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. West Marshall Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marshall County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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.

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

In addition, the District reports a Proprietary Fund, Internal Service to account for the District's partially self-funded insurance and flexible benefits programs.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the 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 District considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are 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.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Property Tax Receivable – Property tax receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax 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 District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

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

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

| Asset Class | Amount |
|-----------------------------------|----------|
| Land | \$ 1,000 |
| Buildings | 5,000 |
| Improvements other than buildings | 25,000 |
| Intangibles | 50,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 5,000 |

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

| Asset Class | Estimated Useful Lives |
|-----------------------------------|------------------------|
| Buildings | 20-50 years |
| Intangibles | 3-20 years |
| Improvements other than buildings | 20-50 years |
| Furniture and equipment | 5-15 years |

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

Unearned Revenue – Meal account proceeds which have been received by the District but will be earned in a succeeding fiscal year have been accrued as liabilities.

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.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collectible 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 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 consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash 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 ensure 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.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

| | <u>Amortized Cost</u> |
|--|---------------------------|
| Diversified Portfolio (Bankers' Trust) | \$ <u>508,900</u> |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm 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:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|-------------------|
| Debt Service | Capital Projects | \$ <u>688,009</u> |

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

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets

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

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|--------------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 125,000 | - | - | 125,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 17,117,812 | 79,994 | - | 17,197,806 |
| Improvements other than buildings | 664,731 | 48,721 | - | 713,452 |
| Furniture and equipment | 1,105,510 | 101,500 | 55,678 | 1,151,332 |
| Total capital assets being depreciated | 18,888,053 | 230,215 | 55,678 | 19,062,590 |
| Less accumulated depreciation for: | | | | |
| Buildings | 4,352,776 | 354,352 | - | 4,707,128 |
| Improvements other than buildings | 381,241 | 30,278 | - | 411,519 |
| Furniture and equipment | 934,503 | 56,930 | 55,678 | 935,755 |
| Total accumulated depreciation | 5,668,520 | 441,560 | 55,678 | 6,054,402 |
| Total capital assets being depreciated, net | 13,219,533 | (211,345) | - | 13,008,188 |
| Governmental activities capital assets, net | \$ 13,344,533 | \$ (211,345) | \$ - | \$ 13,133,188 |
| Business-type activities: | | | | |
| Furniture and equipment | \$ 306,122 | \$ 13,982 | \$ - | \$ 320,104 |
| Less accumulated depreciation | 136,674 | 19,750 | - | 156,424 |
| Business-type activities capital assets, net | \$ 169,448 | \$ (5,768) | \$ - | \$ 163,680 |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 2,045

Support services:

Operation and maintenance of plant 2,478

Transportation 52,407

56,930

Unallocated depreciation 384,630

Total depreciation expense - governmental activities \$ 441,560

Business-type activities:

Food service operations \$ 19,750

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities

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

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|-------------------|-------------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| Early retirement | \$ 245,399 | \$ 99,350 | \$ 72,835 | \$ 271,914 | \$ 91,733 |
| General obligation bonds | 3,895,000 | - | 295,000 | 3,600,000 | 170,000 |
| Revenue bonds | 5,900,000 | - | 75,000 | 5,825,000 | 250,000 |
| Net OPEB liability | 120,000 | 102,000 | - | 222,000 | - |
| Total | <u>\$ 10,160,399</u> | <u>\$ 201,350</u> | <u>\$ 442,835</u> | <u>\$ 9,918,914</u> | <u>\$ 511,733</u> |

Early Retirement

The District offered a voluntary early retirement plan to all employees for the year ended June 30, 2014. All eligible certified employees and administrators must have at least ten years of consecutive half-time service to the district and must have reached the age of fifty-five on or before July 31 in the calendar year in which early retirement commences. All eligible classified employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before July 31 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement benefit for certified employees includes an incentive payment of \$10,000. The payment will be made in one lump sum to a deferred annuity account by the end of July following retirement. The District will also pay a maximum of \$450 per month for the cost of single health insurance until age 65.

The early retirement incentive for administrators consists of paid single health and family dental insurance at District cost until the employee reaches age 65 or otherwise becomes eligible for Medicare. The cost of health insurance paid by the District for administration has no dollar cap.

The early retirement benefit for classified employees includes an incentive payment of \$15,000 to be made in one lump sum to a deferred annuity account by the end of July following retirement.

At June 30, 2014, the District had obligations to 13 participants with a total liability of \$271,914. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$72,835. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds Payable

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

| Year Ending June 30, | Interest Rates | Bond issue dated June, 2010 | | |
|-------------------------|-------------------|-----------------------------|---------------------|---------------------|
| | | Principal | Interest | Total |
| 2015 | 2.500 % | \$ 170,000 | \$ 138,600 | \$ 308,600 |
| 2016 | 3.000 | 175,000 | 134,350 | 309,350 |
| 2017 | 3.500 | 180,000 | 129,100 | 309,100 |
| 2018 | 3.500 | 185,000 | 122,800 | 307,800 |
| 2019 | 4.000 | 195,000 | 116,325 | 311,325 |
| 2020-2024 | 4.000 | 1,085,000 | 459,225 | 1,544,225 |
| 2025-2029 | 4.000-4.125 | 1,315,000 | 224,625 | 1,539,625 |
| 2030 | 4.125 | 295,000 | 12,169 | 307,169 |
| | | <u>\$ 3,600,000</u> | <u>\$ 1,337,194</u> | <u>\$ 4,937,194</u> |

Revenue Bonds

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

| Year Ending June 30, | Interest Rates | Bond issue dated January 2010 | | |
|-------------------------|-------------------|-------------------------------|---------------------|---------------------|
| | | Principal | Interest | Total |
| 2015 | 3.50 % | \$ 250,000 | \$ 240,705 | \$ 490,705 |
| 2016 | 3.50 | 260,000 | 231,780 | 491,780 |
| 2017 | 3.50 | 270,000 | 222,505 | 492,505 |
| 2018 | 3.50 | 280,000 | 212,880 | 492,880 |
| 2019 | 3.70 | 290,000 | 202,615 | 492,615 |
| 2020-2024 | 3.75-4.30 | 1,635,000 | 829,160 | 2,464,160 |
| 2025-2029 | 4.40-4.75 | 2,050,000 | 432,127 | 2,482,127 |
| 2030 | 4.75 | 790,000 | 26,363 | 816,363 |
| | | <u>\$ 5,825,000</u> | <u>\$ 2,398,135</u> | <u>\$ 8,223,135</u> |

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,900,000 bonds issued in January 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the local statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 65 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,223,135. For the current year, principal and interest paid on the bonds totaled \$321,393 and statewide sales, services and use tax revenues totaled \$755,349.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

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

- Bonds maturing after January 1, 2019, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$508,900 of the proceeds from the bonds issue have been place in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if Insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 63 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

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

| | |
|--|--------------------------|
| Annual required contribution | \$ 153,800 |
| Interest on net OPEB obligation | 2,995 |
| Adjustment to annual required contribution | 9,039 |
| Annual OPEB cost | <u>147,756</u> |
| Contributions made | <u>45,756</u> |
| Increase in net OPEB obligation | 102,000 |
| Net OPEB obligation beginning of year | <u>120,000</u> |
| Net OPEB obligation end of year | <u><u>\$ 222,000</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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 \$45,756 to the medical plan.

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------|---------------------|--|---------------------------|
| 2012 | \$ 72,302 | 80.0% | \$ 33,303 |
| 2013 | 144,293 | 39.9% | 120,000 |
| 2014 | 147,756 | 31.0% | 222,000 |

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$901,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$901,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,394,000, and the ratio of the UAAL to covered payroll was 37.6%. As of June 30, 2014, there were no trust fund assets.

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

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis.

Projected claim costs of the medical plan are \$949 per month. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$424,418, \$412,483, and \$385,990, respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District partially self-funds health insurance benefits for District employees. The District purchased a health plan with deductibles of \$2,000 for individuals and \$4,000 for families while employees see actual deductibles of \$250 and \$500 for single and family policies, respectively. The maximum liability to the district under this arrangement is \$263,250 for the year ended June 30, 2014, and actual payments made totaled \$65,224. The District has not reported any liabilities for incurred but not reported claims required under Financial Accounting and Standards Board Statement Number 5 due to the small size of the plan. Section 509A.15 of the Code of Iowa exempts such small plans from actuarial studies and such claims would be difficult to estimate otherwise.

The 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.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 \$352,060 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 fund balance restricted for categorical funding at June 30, 2014 is comprised of the following programs:

| Program | Amount |
|--|------------|
| Gifted and talented programs | \$ 66,942 |
| Home school assistance program | 21,497 |
| Returning dropouts and dropout prevention programs | 20,973 |
| Successful progression for early readers | 17,423 |
| Limited English proficiency | 9,594 |
| Professional development for model core curriculum | 8,534 |
| Teacher leadership grants | 2,175 |
| Non-public textbooks | 766 |
| Professional development | 2 |
| Total | \$ 147,906 |

Note 11. Prospective Accounting Change

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

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Required Supplementary Information

WEST MARSHALL 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 Original and Final | Final to Actual Variance |
|--|-----------------------------------|---------------------------------|-------------------|--|--------------------------------|
| REVENUES: | | | | | |
| Local sources | \$ 4,210,472 | \$ 264,999 | \$ 4,475,471 | \$ 5,077,069 | \$ (601,598) |
| Intermediate sources | - | - | - | 21,000 | (21,000) |
| State sources | 5,558,720 | 3,808 | 5,562,528 | 4,631,661 | 930,867 |
| Federal sources | 175,528 | 191,343 | 366,871 | 308,000 | 58,871 |
| Total revenues | 9,944,720 | 460,150 | 10,404,870 | 10,037,730 | 367,140 |
| EXPENDITURES/EXPENSES: | | | | | |
| Instruction | 5,168,530 | 66,720 | 5,235,250 | 5,622,000 | 386,750 |
| Support services | 3,098,332 | 9,465 | 3,107,797 | 3,480,500 | 372,703 |
| Non-instructional programs | - | 408,053 | 408,053 | 470,000 | 61,947 |
| Other expenditures | 1,209,425 | - | 1,209,425 | 1,615,650 | 406,225 |
| Total expenditures/expenses | 9,476,287 | 484,238 | 9,960,525 | 11,188,150 | 1,227,625 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses | 468,433 | (24,088) | 444,345 | (1,150,420) | 1,594,765 |
| Balance beginning of year | 4,342,575 | 292,856 | 4,635,431 | 4,367,112 | 268,319 |
| Balance end of year | \$ 4,811,008 | \$ 268,768 | \$ 5,079,776 | \$ 3,216,692 | \$ 1,863,084 |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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/expenses did not exceed the amounts budgeted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2014

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|---------------------------------|---|-----------------------------|----------------------|-----------------------|---|
| 2010 | July 1, 2009 | \$ - | \$ 710 | \$ 710 | 0.0% | \$ 2,800 | 25.4% |
| 2011 | July 1, 2009 | - | 710 | 710 | 0.0% | 3,040 | 23.4% |
| 2012 | July 1, 2009 | - | 710 | 710 | 0.0% | 3,030 | 23.4% |
| 2013 | July 1, 2012 | - | 973 | 973 | 0.0% | 2,332 | 41.7% |
| 2014 | July 1, 2012 | - | 901 | 901 | 0.0% | 2,394 | 37.6% |

See note 6 in the accompanying Notes to 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

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

| | <u>Special Revenue</u> | | | |
|---|------------------------|-------------------|-------------------|---------------------|
| | <u>Management</u> | <u>Student</u> | <u>Debt</u> | |
| | <u>Levy</u> | <u>Activity</u> | <u>Service</u> | <u>Total</u> |
| Assets | | | | |
| Cash and pooled investments | \$ 234,034 | \$ 145,192 | \$ 375,924 | \$ 755,150 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 2,016 | - | 2,777 | 4,793 |
| Succeeding year | 170,000 | - | 257,976 | 427,976 |
| Accounts | - | 70 | - | 70 |
| | <hr/> | | | |
| Total assets | <u>\$ 406,050</u> | <u>\$ 145,262</u> | <u>\$ 636,677</u> | <u>\$ 1,187,989</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 1,420 | \$ - | \$ 1,420 |
| Salaries and benefits payable | - | 408 | - | 408 |
| Total liabilities | <u>-</u> | <u>1,828</u> | <u>-</u> | <u>1,828</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | 170,000 | - | 257,976 | 427,976 |
| | <hr/> | | | |
| Fund balances: | | | | |
| Debt service | - | - | 378,701 | 378,701 |
| Management levy purposes | 236,050 | - | - | 236,050 |
| Student activities | - | 143,434 | - | 143,434 |
| Total fund balances | <u>236,050</u> | <u>143,434</u> | <u>378,701</u> | <u>758,185</u> |
| | <hr/> | | | |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 406,050</u> | <u>\$ 145,262</u> | <u>\$ 636,677</u> | <u>\$ 1,187,989</u> |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

| | Special Revenue | | Debt Service | Total |
|--|--------------------|---------------------|-------------------|-------------------|
| | Management Levy | Student Activity | | |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 180,373 | \$ - | \$ 252,788 | \$ 433,161 |
| Other | 447 | 139,231 | 158 | 139,836 |
| Total revenues | <u>180,820</u> | <u>139,231</u> | <u>252,946</u> | <u>572,997</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 50,185 | 128,378 | - | 178,563 |
| Support services: | | | | |
| Student | 261 | - | - | 261 |
| Administration | 70,059 | - | 16 | 70,075 |
| Operation and maintenance of plant | 45,644 | - | - | 45,644 |
| Transportation | 8,746 | - | - | 8,746 |
| Other expenditures: | | | | |
| Long term debt: | | | | |
| Principal | - | - | 370,000 | 370,000 |
| Interest and fiscal charges | - | - | 395,553 | 395,553 |
| Total expenditures | <u>174,895</u> | <u>128,378</u> | <u>765,569</u> | <u>1,068,842</u> |
| Excess (deficiency) of revenues over (under) expenditures | 5,925 | 10,853 | (512,623) | (495,845) |
| Other financing sources (uses): | | | | |
| Interfund transfers in | - | - | 688,009 | 688,009 |
| Net change in fund balances | \$ 5,925 | \$ 10,853 | \$ 175,386 | \$ 192,164 |
| Fund balances beginning of year | <u>230,125</u> | <u>132,581</u> | <u>203,315</u> | <u>566,021</u> |
| Fund balances end of year | <u>\$ 236,050</u> | <u>\$ 143,434</u> | <u>\$ 378,701</u> | <u>\$ 758,185</u> |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS

June 30, 2014

| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
|---|---|--|------------------|
| Assets | | | |
| Cash and pooled investments | \$ 988,343 | \$ 39,647 | \$ 1,027,990 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | - | 900 | 900 |
| Succeeding year | - | 80,014 | 80,014 |
| Due from other governments | 285,215 | - | 285,215 |
| Total assets | \$ 1,273,558 | \$ 120,561 | \$ 1,394,119 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | - | 80,014 | 80,014 |
| Fund balances: | | | |
| Restricted for: | | | |
| Revenue bonds reserve fund | 508,900 | - | 508,900 |
| School infrastructure | 764,658 | - | 764,658 |
| Physical plant and equipment | - | 40,547 | 40,547 |
| Total fund balances | 1,273,558 | 40,547 | 1,314,105 |
| Total deferred inflows of resources and fund balances | \$ 1,273,558 | \$ 120,561 | \$ 1,394,119 |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2014

| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
|--|---|--|--------------|
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ - | \$ 81,957 | \$ 81,957 |
| Other | 6,372 | 27 | 6,399 |
| State sources | 755,349 | - | 755,349 |
| Total revenues | 761,721 | 81,984 | 843,705 |
| Expenditures: | | | |
| Current: | | | |
| Support services: | | | |
| Administration | - | 16 | 16 |
| Other expenditures: | | | |
| Facilities acquisition | - | 91,812 | 91,812 |
| Total expenditures | - | 91,828 | 91,828 |
| Excess (deficiency) of revenues over (under) expenditures | 761,721 | (9,844) | 751,877 |
| Other financing sources (uses): | | | |
| Interfund transfers out | (688,009) | - | (688,009) |
| Net change in fund balances | 73,712 | (9,844) | 63,868 |
| Fund balances beginning of year | 1,199,846 | 50,391 | 1,250,237 |
| Fund balances end of year | \$ 1,273,558 | \$ 40,547 | \$ 1,314,105 |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------|---------------------------------|-------------------|-------------------|---------------------------|
| 6th Grade Store | \$ 71 | \$ - | \$ 71 | \$ - |
| Drama | 4,351 | 2,694 | 3,083 | 3,962 |
| Speech | 288 | - | 155 | 133 |
| Cross Country | 1,901 | 260 | 1,343 | 818 |
| Elementary Renaissance | 794 | 1,174 | 1,574 | 394 |
| Spanish Club | 244 | - | - | 244 |
| Athletic Memberships | - | 9,840 | 4,378 | 5,462 |
| Golf | 3,961 | 1,655 | 751 | 4,865 |
| Basketball | 6,016 | 15,840 | 13,737 | 8,119 |
| Volleyball | 3,882 | 3,448 | 5,005 | 2,325 |
| Football | 4,756 | 27,004 | 21,611 | 10,149 |
| Baseball | - | 5,351 | 5,205 | 146 |
| Track | 654 | 664 | 1,300 | 18 |
| Wrestling | 1,596 | 5,287 | 6,608 | 275 |
| Softball | 4,689 | 14,628 | 14,556 | 4,761 |
| FFA | 74,829 | 24,686 | 20,288 | 79,227 |
| National Honor Society | 118 | 324 | 147 | 295 |
| HS Cheerleaders | 2,012 | 50 | 879 | 1,183 |
| MS Cheerleaders | - | 2,000 | - | 2,000 |
| Dance Team | 829 | - | - | 829 |
| Class of 2015 | 50 | 2,340 | 1,973 | 417 |
| Class of 2016 | 35 | - | - | 35 |
| Class of 2017 | 165 | - | - | 165 |
| Class of 2018 | 1,230 | - | 833 | 397 |
| MS Student Council | 2,955 | 4,581 | 6,520 | 1,016 |
| HS Student Council | 19 | 1,429 | 650 | 798 |
| Interest | 434 | 156 | - | 590 |
| Annual | 10,590 | 7,591 | 6,485 | 11,696 |
| FBLA | 582 | - | - | 582 |
| Tech Club | - | 1,400 | 508 | 892 |
| Ag Day | 78 | - | - | 78 |
| MS Renaissance | 2,509 | 99 | 1,929 | 679 |
| HS Renaissance | 404 | 179 | 174 | 409 |
| FCCLA | 339 | 1,052 | 916 | 475 |
| Cash on Hand | 2,200 | 5,499 | 7,699 | - |
| Total | \$ 132,581 | \$ 139,231 | \$ 128,378 | \$ 143,434 |

See accompanying independent auditor's report.

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WEST MARSHALL 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 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 3,107,316 | \$ 3,651,461 | \$ 3,645,138 | \$ 3,376,272 |
| Tuition | 757,447 | 726,391 | 596,096 | 557,912 |
| Other | 345,709 | 299,976 | 371,526 | 553,278 |
| Intermediate sources | - | 797 | - | 5,475 |
| State sources | 5,558,720 | 4,703,100 | 4,517,655 | 4,551,255 |
| Federal sources | 175,528 | 168,317 | 307,408 | 376,599 |
| Total revenues | \$ 9,944,720 | \$ 9,550,042 | \$ 9,437,823 | \$ 9,420,791 |
| Expenditures: | | | | |
| Instruction | \$ 5,168,530 | \$ 5,064,589 | \$ 5,119,015 | \$ 5,141,683 |
| Support services: | | | | |
| Student | 316,169 | 278,416 | 274,058 | 315,492 |
| Instructional staff | 320,066 | 263,720 | 459,795 | 290,322 |
| Administration | 927,070 | 873,977 | 886,561 | 779,883 |
| Operation and maintenance of plant | 949,451 | 1,116,997 | 912,717 | 816,477 |
| Transportation | 585,576 | 574,744 | 561,578 | 492,356 |
| Non-instructional programs | - | - | - | - |
| Other expenditures: | | | | |
| Facilities acquisition | 91,812 | 332,677 | 1,319,695 | 7,132,946 |
| Long-term debt: | | | | |
| Principal | 370,000 | 365,000 | 350,000 | 320,000 |
| Interest and fiscal charges | 395,553 | 408,140 | 418,961 | 428,600 |
| AEA flowthrough | 352,060 | 343,131 | 350,121 | 383,743 |
| Total expenditures | \$ 9,476,287 | \$ 9,621,391 | \$ 10,652,501 | \$ 16,101,502 |

See accompanying independent auditor's report.

| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|----|-------------------|------------------|------------------|------------------|------------------|------------------|
| \$ | 3,025,310 | \$ 2,984,118 | \$ 2,798,167 | \$ 2,849,760 | \$ 2,707,089 | \$ 2,622,810 |
| | 456,314 | 528,621 | 451,647 | 339,047 | 332,004 | 230,457 |
| | 395,569 | 330,592 | 408,071 | 375,346 | 319,217 | 397,914 |
| | 6,780 | 5,700 | 18,565 | - | - | - |
| | 3,914,188 | 4,654,608 | 4,267,844 | 4,017,081 | 3,755,551 | 3,502,195 |
| | 739,200 | 164,927 | 150,082 | 131,078 | 143,735 | 78,220 |
| \$ | <u>8,537,361</u> | <u>8,668,566</u> | <u>8,094,376</u> | <u>7,712,312</u> | <u>7,257,596</u> | <u>6,831,596</u> |
| \$ | 5,100,680 | \$ 5,182,907 | \$ 4,546,804 | \$ 4,154,733 | \$ 3,813,183 | \$ 3,816,595 |
| | 348,493 | 295,192 | 289,659 | 298,672 | 279,759 | 166,862 |
| | 215,543 | 109,868 | 186,558 | 111,777 | 110,117 | 179,497 |
| | 773,205 | 760,549 | 725,556 | 666,566 | 580,055 | 550,338 |
| | 832,409 | 798,197 | 817,383 | 615,841 | 703,672 | 853,764 |
| | 396,565 | 360,307 | 408,757 | 520,035 | 414,913 | 443,775 |
| | - | - | - | - | - | - |
| | 1,796,163 | 253,519 | 96,529 | 305,221 | 36,957 | 69,659 |
| | 250,000 | 245,000 | 230,000 | 225,000 | 220,000 | 215,000 |
| | 40,295 | 47,645 | 54,545 | 60,732 | 65,833 | 71,324 |
| | 372,205 | 325,177 | 298,826 | 277,407 | 254,985 | 242,842 |
| \$ | <u>10,125,558</u> | <u>8,378,361</u> | <u>7,654,617</u> | <u>7,235,984</u> | <u>6,479,474</u> | <u>6,609,656</u> |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited 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 Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Marshall Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in Part I of the accompanying Schedule of Findings as item I-A-14, that we consider to be a significant deficiency.

Compliance

As part of obtaining reasonable assurance about whether West Marshall 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.

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

West Marshall Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Marshall 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.

Oskaloosa, Iowa
October 28, 2014

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-14 Purchase Orders – We noted during our audit that the District currently uses purchase orders in the purchasing process. However, we noted that some purchase orders were being completed after the product had been ordered or services received.

Recommendation – The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding encumbrance, which represents the amount as an obligation against the budget. When monitoring actual expenditures, it can be helpful to know the outstanding orders which will be subsequently paid. This allows the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies or services takes place.

Response – The District will comply with this recommendation. We are currently working on educating all individuals involved as to the importance of the purchase order system. We are also considering revision of our disbursement process to not allow any reimbursements in situations where a purchase order was not timely completed.

Conclusion – Response accepted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

- II-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, did not exceed the amounts budgeted.
- II-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Wayne Larsen, Board President | School services | \$175 |
| Rhonda Reker, Teacher aide, owner of Rhonda’s Rolls | School supplies | \$140 |

In accordance with Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent a conflict of interest since the cumulative amounts did not exceed \$2,500 for the fiscal year.

- II-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting (continued):

- II-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- II-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

| | | | |
|---|----|----------------|-------------------------|
| Beginning balance | | \$ | 1,199,846 |
| Revenues: | | | |
| Interest | \$ | 6,372 | |
| Statewide sales, services and use tax | | 555,788 | |
| School infrastructure supplemental amount | | <u>199,561</u> | 761,721 |
| Expenditures/transfers out: | | | |
| Transfers to other funds: | | | |
| Debt Service Fund | | | <u>688,009</u> |
| Ending balance | | \$ | <u><u>1,273,558</u></u> |

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