

WEST MONONA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Supplementary Information:	<u>Schedule</u>	
Capital Projects Accounts:		
Combining Balance Sheet	1	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	47
Debt Service Funds:		
Combining Balance Sheet	3	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		52-53
Schedule of Findings		54-60

West Monona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September Election)</b>		
Peter Alexander	President	2013
Christine Kennedy	Vice President	2015
Geri Johnson	Board Member	2013
Hank Mason	Board Member	2013
Allen Carrier	Board Member	2015
<b>Board of Education (After September Election)</b>		
Christine Kennedy	President	2015
Allen Carrier	Vice President	2015
Geri Johnson	Board Member	2017
Josh Lander	Board Member	2017
Troy Johnston	Board Member	2017
<b>School Officials</b>		
Lyle Schwartz	Superintendent	2014
Roxane Bales	District Secretary/ Treasurer	2014
Ahlers Law Firm	Attorney	2014

WEST MONONA COMMUNITY SCHOOL DISTRICT

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the West Monona 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 the West Monona Community School District, Onawa, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as 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, implantation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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 the West Monona Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with U.S. generally accepted accounting principles.

**Other Matters**

*Required Supplementary Information*

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Findings Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information 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 required supplementary 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 Monona Community School District’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion on those financial statements. 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2015, on our consideration of the West Monona Community School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. 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 and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2015  
Newton, Iowa

---

---

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

---

---

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

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$7,492,724 in fiscal 2013 to \$7,401,942 in fiscal 2014, while General Fund expenditures decreased from \$7,571,306 in fiscal 2013 to \$7,315,429 in fiscal 2014. The District's General Fund balance increased from \$889,040 in fiscal 2013 to \$975,553 in fiscal 2014.
- The decrease in General Fund revenues was primarily attributable to a decrease in local sources of revenue. Decreased expenditures for Instruction function represented the largest portion of the fall in expenditures.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

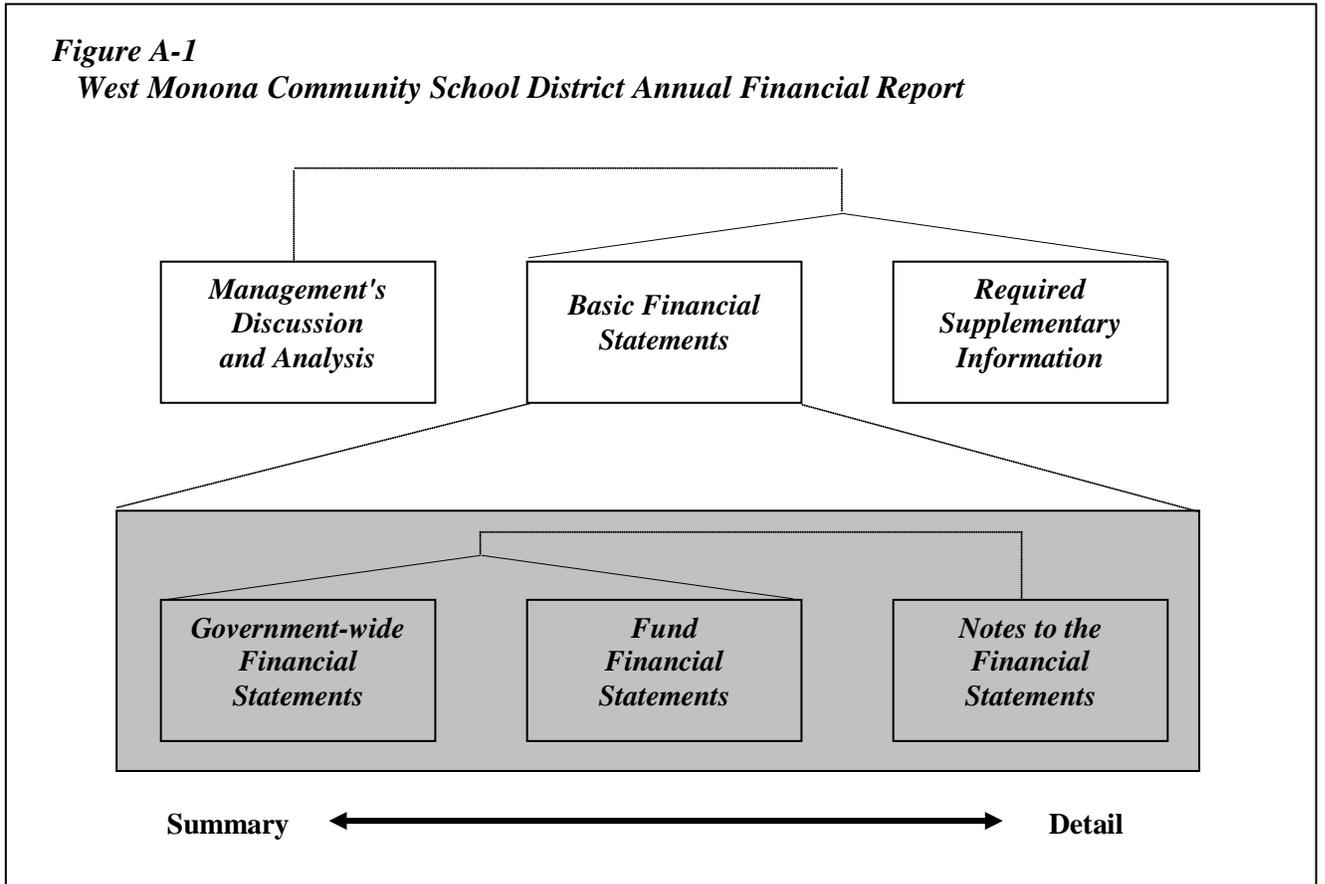


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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 adult education
Required financial statements	<input type="checkbox"/> Statement of net position <input type="checkbox"/> Statement of activities	<input type="checkbox"/> Balance sheet  <input type="checkbox"/> Statement of revenues, expenditures, and changes in fund balances	<input type="checkbox"/> Statement of net position <input type="checkbox"/> Statement of revenues, expenses and changes in fund net position  <input type="checkbox"/> Statement of cash flows
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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 7,759,208	9,464,244	71,924	75,315	7,831,132	9,539,559	-17.91%
Capital assets	12,242,621	10,990,254	106,101	43,657	12,348,722	11,033,911	11.92%
Total assets	20,001,829	20,454,498	178,025	118,972	20,179,854	20,573,470	-1.91%
Long-term obligations	10,533,548	11,001,002	4,383	2,691	10,537,931	11,003,693	-4.23%
Other liabilities	1,120,434	1,773,376	11,040	11,624	1,131,474	1,785,000	-36.61%
Total liabilities	11,653,982	12,774,378	15,423	14,315	11,669,405	12,788,693	-8.75%
Deferred inflow of resources							
Succeeding year property tax	3,661,253	3,568,335	-	-	3,661,253	3,568,335	2.60%
Net position:							
Invested in capital assets,							
net of related debt	2,387,621	2,144,781	106,101	43,657	2,493,722	2,188,438	13.95%
Restricted	2,230,804	1,918,573	-	-	2,230,804	1,918,573	16.27%
Unrestricted	68,169	48,431	56,501	61,000	124,670	109,431	13.93%
Total net position	\$ 4,686,594	4,111,785	162,602	104,657	4,849,196	4,216,442	15.01%

The District's combined net position increased by 15.01%, or \$632,754, from the prior year. A large portion of the District's net position is the investment in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent 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 \$312,231, or 16.27% over the prior year. This was primarily the result of an increase in the General fund account fund balance.

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 \$15,239 or 13.93%.

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

Figure A-4							
Changes in Net Position							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 362,629	343,972	145,559	150,762	508,188	494,734	2.72%
Operating grants, and contributions and restricted interest	723,477	725,473	218,233	231,379	941,710	956,852	-1.58%
Capital grants, and contributions and restricted interest	10,000	26,790	-	-	10,000	26,790	-62.67%
General revenues:							
Property tax	3,498,388	3,463,310	-	-	3,498,388	3,463,310	1.01%
Income surtax	217,986	223,581	-	-	217,986	223,581	-2.50%
Statewide sales, services and use tax	613,901	602,637	-	-	613,901	602,637	1.87%
Unrestricted state grants	3,678,694	3,650,681	-	-	3,678,694	3,650,681	0.77%
Unrestricted investment earnings	1,062	4,448	-	-	1,062	4,448	-76.12%
Other	162,705	50,024	769	-	163,474	50,024	226.79%
Transfers	(76,936)	-	76,936	-	-	-	0.00%
Total revenues	<u>9,191,906</u>	<u>9,090,916</u>	<u>441,497</u>	<u>382,141</u>	<u>9,633,403</u>	<u>9,473,057</u>	<u>1.69%</u>
Program expenses:							
Governmental activities:							
Instruction	4,965,969	5,668,031	-	-	4,965,969	5,668,031	-12.39%
Support services	2,667,013	2,389,132	190	40	2,667,203	2,389,172	11.64%
Non-instructional programs	-	-	383,262	414,203	383,262	414,203	-7.47%
Other expenses	984,115	779,167	-	-	984,115	779,167	26.30%
Total expenses	<u>8,617,097</u>	<u>8,836,330</u>	<u>383,452</u>	<u>414,243</u>	<u>9,000,549</u>	<u>9,250,573</u>	<u>-2.70%</u>
Increase(Decrease) in net position	574,809	254,586	58,045	(32,102)	632,854	222,484	184.45%
Beginning net position	<u>4,111,785</u>	<u>3,857,199</u>	<u>104,657</u>	<u>136,759</u>	<u>4,216,442</u>	<u>3,993,958</u>	<u>5.57%</u>
Ending net position	<u>\$ 4,686,594</u>	<u>4,111,785</u>	<u>162,702</u>	<u>104,657</u>	<u>4,849,296</u>	<u>4,216,442</u>	<u>15.01%</u>

In fiscal 2014, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 87.13% of the revenue from governmental activities while charges for services and operating grants and contributions account for 82.40% of the revenue from business type activities.

The District's total revenues were approximately \$9.63 million of which \$9.19 million was for governmental activities and \$0.44 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.69% increase in revenues and a 2.70% decrease in expenses.

## Governmental Activities

Revenues for governmental activities were \$9,191,906 and expenses were \$8,617,097 for the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,965,969	5,668,031	-12.39%	4,173,811	4,885,329	-14.56%
Support services	2,667,013	2,389,132	11.63%	2,657,013	2,362,342	12.47%
Other expenses	984,115	779,167	26.30%	690,167	492,424	40.16%
Totals	<u>\$ 8,617,097</u>	<u>8,836,330</u>	<u>-2.48%</u>	<u>7,520,991</u>	<u>7,740,095</u>	<u>-2.83%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$362,629.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$733,477.
- The net cost of governmental activities was financed with \$3,498,388 in property tax, \$217,986 in income surtax, \$613,901 in statewide sales, services and use tax, \$3,678,694 in unrestricted state grants, \$1,062 in interest income and \$162,705 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$441,497 and expenses were \$383,552. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of 82.43% being charges for service and federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,793,124 below last year's ending fund balances of \$3,933,931. The primary reason for the decrease was a decrease in fund balances of the Capital Project Fund account.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases during the year in local tax and state sources of revenue helped increase revenues. Although the District experienced an

increase in revenues, the District also experienced a decrease in expenditures; total revenues were more than expenses resulting in the District's General Fund balance increasing by \$86,513.

- The General Fund balance increased from \$889,040 in fiscal 2013 to \$975,553 in fiscal 2014.
- The Capital Projects Fund balance decreased from a balance of \$2,485,553 at the beginning of the fiscal year 2014 to \$1,248,263. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance decreased from \$1,599,982 at June 30, 2013 to \$1,023,712 at June 30, 2014. The Capital Projects: General Obligation Bonds Fund decreased from a fund balance of \$582,807 at June 30, 2013 to a fund balance of \$0 at June 30, 2014. The Capital Projects: Physical Plant and Equipment Levy Fund balance decreased from \$302,764 at June 30, 2013 to \$224,551 at June 30, 2014.
- The Debt Service Fund balance increased from \$405,265 at June 30, 2013 to \$424,814 at June 30, 2014.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$104,657 at June 30, 2013 to \$162,602 at June 30, 2014, representing a increase of 55.37%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$85,103 less than budgeted revenues, a variance of 0.88%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

In Spite of the District's budgetary practice, the certified budget was exceeded in the Other expenditure functional area due to the timing of the expenditures at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2014, the District had invested approximately \$12.35 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 amount represents an increase of 11.92% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$517,257.

The original cost of the District's capital assets was \$16,841,944. Governmental funds account for \$16,735,843 with the remainder of \$106,101 in the Proprietary, School Nutrition Fund.

A large change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress, totaled \$0 at June 30, 2014, compared to \$5,438,102 reported at June 30, 2013. This decrease is due to the completion on the renovation to the West Monona elementary school.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 92,549	92,549	-	-	92,549	92,549	0.00%
Construction in progress	-	5,438,102	-	-	-	5,438,102	-100.00%
Buildings	11,267,964	5,053,991	-	-	11,267,964	5,053,991	122.95%
Land improvements	487,646	82,359	-	-	487,646	82,359	492.10%
Machinery and equipment	394,462	323,253	106,101	43,657	500,563	366,910	36.43%
<b>Total</b>	<b>\$ 12,242,621</b>	<b>10,990,254</b>	<b>106,101</b>	<b>43,657</b>	<b>12,348,722</b>	<b>11,033,911</b>	<b>11.92%</b>

### Long-Term Debt

At June 30, 2014, the District had \$10,573,931 in total long-term debt outstanding. This represents a decrease of 4.23% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding General Obligation Bonds payable at \$5,390,000 at June 30, 2014.

The District had outstanding Revenue Bonds payable of \$4,465,000 at June 30, 2014.

The District had computer lease payable of \$241,194 at June 30, 2014.

The District had termination benefits payable of \$102,000 at June 30, 2014.

The District had a net OPEB liability payable of \$339,737 at June 30, 2014. Governmental Activities account for \$335,354 while Business Type Activities account for \$4,383.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds \$	5,390,000	5,635,000	-	-	5,390,000	5,635,000	-4.35%
Revenue Bonds	4,465,000	4,645,000	-	-	4,465,000	4,645,000	-3.88%
Computer Lease	241,194	395,916	-	-	241,194	395,916	-39.08%
Termination benefits	102,000	119,500	-	-	102,000	119,500	-14.64%
Net OPEB liability	335,354	205,586	4,383	2,691	339,737	208,277	63.12%
<b>Total</b>	<b>\$ 10,533,548</b>	<b>11,001,002</b>	<b>4,383</b>	<b>2,691</b>	<b>10,537,931</b>	<b>11,003,693</b>	<b>-4.23%</b>

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

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

- The state's economy continues to show signs of improvement. The legislature did approve more funding for school for FY14, however, some of it was one time funding which does not carry the benefit of ongoing spending authority with it.

- West Monona has made an effort to reduce expenses through a reduction in personnel. Most of this was completed through attrition, although some reduction in force did take place.
- West Monona's unspent spending authority has been declining in recent years due to decreases in revenues and increases in expenditures, some of this going back to the federal stimulus program. This has reached a critical point and additional reductions in expenditures are essential. Despite the reductions, West Monona overspent our authority and we ended FY14 with a negative unspent balance of \$176,258. The district appeared before the SBRC in January of 2015 to present a request for additional authority and a Corrective Action Plan. The SBRC accepted the Corrective Action Plan and approved \$ 176,258 of additional spending authority.
- Historically, the District has entered into an annual contract with the West Monona Education Association. The District will negotiate a new agreement during FY15. Settlements in excess of 'new money' or supplemental state aid (formerly known as allowable growth) will have an adverse effect on the District's General Fund Budget and related fund balances. Corresponding cost reduction will be made to offset the cost of the negotiated settlement and other cost increases.

## **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 Roxane Bales, District Secretary/Treasurer, West Monona Community School District, 1314 15th St, Onawa, Iowa, 51040.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,471,074	51,897	3,522,971
Receivables:			
Property tax:			
Delinquent	49,047	-	49,047
Succeeding year	3,661,253	-	3,661,253
Income surtax	195,777	-	195,777
Accounts	280,835	2,191	283,026
Due from other governments	101,222	7,714	108,936
Inventories	-	10,122	10,122
Capital assets, net of accumulated depreciation	12,242,621	106,101	12,348,722
<b>TOTAL ASSETS</b>	<b>20,001,829</b>	<b>178,025</b>	<b>20,179,854</b>
<b>LIABILITIES</b>			
Accounts payable	455,372	856	456,228
Salaries and benefits payable	653,572	10,184	663,756
Advances from grantors	110	-	110
Accrued interest payable	11,380	-	11,380
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	250,000	-	250,000
Revenue bonds payable	215,000	-	215,000
Computer lease payable	159,556	-	159,556
Termination benefits	18,000	-	18,000
Portion due after one year:			
General obligation bonds payable	5,140,000	-	5,140,000
Revenue bonds payable	4,250,000	-	4,250,000
Computer lease payable	81,638	-	81,638
Termination benefits	84,000	-	84,000
Net OPEB liability	335,354	4,383	339,737
<b>TOTAL LIABILITIES</b>	<b>11,653,982</b>	<b>15,423</b>	<b>11,669,405</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	3,661,253	-	3,661,253
<b>NET POSITION</b>			
Net investment in capital assets	2,387,621	106,101	2,493,722
Restricted for:			
Categorical funding	512,148	-	512,148
School infrastructure	1,023,712	-	1,023,712
Physical plant and equipment levy	224,551	-	224,551
Student activities	56,959	-	56,959
Debt service	413,434	-	413,434
Unrestricted	68,169	56,501	124,670
<b>TOTAL NET POSITION</b>	<b>\$ 4,686,594</b>	<b>162,602</b>	<b>4,849,196</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,163,794	169,448	44,972	-	(2,949,374)	-	(2,949,374)
Special	931,297	38,236	127,853	-	(765,208)	-	(765,208)
Other	870,878	154,945	256,704	-	(459,229)	-	(459,229)
	<u>4,965,969</u>	<u>362,629</u>	<u>429,529</u>	<u>-</u>	<u>(4,173,811)</u>	<u>-</u>	<u>(4,173,811)</u>
Support services:							
Student	255,791	-	-	-	(255,791)	-	(255,791)
Instructional staff	323,933	-	-	-	(323,933)	-	(323,933)
Administration	1,035,314	-	-	-	(1,035,314)	-	(1,035,314)
Operation and maintenance of plant	749,807	-	-	10,000	(739,807)	-	(739,807)
Transportation	302,168	-	-	-	(302,168)	-	(302,168)
	<u>2,667,013</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(2,657,013)</u>	<u>-</u>	<u>(2,657,013)</u>
Long-term debt interest	327,671	-	-	-	(327,671)	-	(327,671)
Other expenditures:							
AEA flowthrough	293,948	-	293,948	-	-	-	-
Depreciation (unallocated)*	362,496	-	-	-	(362,496)	-	(362,496)
	<u>656,444</u>	<u>-</u>	<u>293,948</u>	<u>-</u>	<u>(362,496)</u>	<u>-</u>	<u>(362,496)</u>
Total governmental activities	8,617,097	362,629	723,477	10,000	(7,520,991)	-	(7,520,991)
Business type activities:							
Support services:							
Operation and maintenance of plant	190	-	-	-	-	(190)	(190)
Non-instructional programs:							
Nutrition services	383,362	145,559	218,233	-	-	(19,570)	(19,570)
Total business type activities	<u>383,552</u>	<u>145,559</u>	<u>218,233</u>	<u>-</u>	<u>-</u>	<u>(19,760)</u>	<u>(19,760)</u>
Total	<u>\$ 9,000,649</u>	<u>508,188</u>	<u>941,710</u>	<u>10,000</u>	<u>(7,520,991)</u>	<u>(19,760)</u>	<u>(7,540,751)</u>
<b>General Revenues/Transfer:</b>							
Property tax levied for:							
General purposes				\$ 2,797,841	-		2,797,841
Capital outlay				301,769	-		301,769
Debt service				398,778	-		398,778
Income surtax				217,986	-		217,986
Statewide sales, services and use tax				613,901	-		613,901
Unrestricted state grants				3,678,694	-		3,678,694
Unrestricted investment earnings				1,062	-		1,062
Other				162,705	769		163,474
Transfer				(76,936)	76,936		-
Total general revenues				<u>8,095,800</u>	<u>77,705</u>		<u>8,173,505</u>
Change in net position				574,809	57,945		632,754
Net position beginning of year				<u>4,111,785</u>	<u>104,657</u>		<u>4,216,442</u>
Net position end of year				<u>\$ 4,686,594</u>	<u>162,602</u>		<u>4,849,196</u>

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

**SEE NOTES TO FINANCIAL STATEMENTS.**

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

	General	Management	Capital Projects	Debt Service	Nonmajor Activity	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 1,656,920	84,769	978,050	690,829	60,506	3,471,074
Receivables:						
Property tax:						
Delinquent	35,937	3,546	4,120	5,444	-	49,047
Succeeding year	2,448,230	500,000	316,860	396,163	-	3,661,253
Income surtax	130,518	-	65,259	-	-	195,777
Accounts	3,583	-	277,252	-	-	280,835
Due from other governments	101,222	-	-	-	-	101,222
<b>TOTAL ASSETS</b>	<b>\$ 4,376,410</b>	<b>588,315</b>	<b>1,641,541</b>	<b>1,092,436</b>	<b>60,506</b>	<b>7,759,208</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 168,427	780	11,159	271,459	3,547	455,372
Salaries and benefits payable	653,572	-	-	-	-	653,572
Advances from grantors	110	-	-	-	-	110
Total liabilities	822,109	780	11,159	271,459	3,547	1,109,054
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	2,448,230	500,000	316,860	396,163	-	3,661,253
Income surtax	130,518	-	65,259	-	-	195,777
Total deferred inflows of resources	2,578,748	500,000	382,119	396,163	-	3,857,030
Fund balances:						
Restricted for:						
Categorical funding	512,148	-	-	-	-	512,148
School infrastructure	-	-	1,023,712	-	-	1,023,712
Physical plant and equipment	-	-	224,551	-	-	224,551
Management levy purposes	-	87,535	-	-	-	87,535
Student activities	-	-	-	-	56,959	56,959
Debt service	-	-	-	424,814	-	424,814
Unassigned	463,405	-	-	-	-	463,405
Total fund balances	975,553	87,535	1,248,263	424,814	56,959	2,793,124
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,376,410</b>	<b>588,315</b>	<b>1,641,541</b>	<b>1,092,436</b>	<b>60,506</b>	<b>7,759,208</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,793,124
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		12,242,621
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		195,777
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(11,380)
Long-term liabilities, including computer leases, revenue bonds payable, general obligation bonds payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(10,533,548)
		(10,533,548)
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b>4,686,594</b>
		4,686,594

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management	Capital Projects	Debt Service	Nonmajor Activity	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 2,697,043	251,135	374,431	398,778	-	3,721,387
Tuition	189,107	-	-	-	-	189,107
Other	127,330	3,029	66,691	27	163,336	360,413
State sources	4,073,228	156	614,085	245	-	4,687,714
Federal sources	315,234	-	-	-	-	315,234
Total revenues	7,401,942	254,320	1,055,207	399,050	163,336	9,273,855
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	3,019,408	18,266	4,236	-	-	3,041,910
Special	924,973	-	-	-	-	924,973
Other	729,585	-	-	-	149,873	879,458
	4,673,966	18,266	4,236	-	149,873	4,846,341
Support services:						
Student	254,120	-	-	-	-	254,120
Instructional staff	322,711	-	-	-	-	322,711
Administration	858,282	142,465	2,267	-	-	1,003,014
Operation and maintenance of plant	669,811	106,746	83,006	-	430	859,993
Transportation	242,591	9,455	101,694	-	-	353,740
	2,347,515	258,666	186,967	-	430	2,793,578
Capital outlays	-	-	1,572,594	-	-	1,572,594
Long-term debt:						
Principal	-	-	-	579,722	-	579,722
Interest and fiscal charges	-	-	1,500	326,979	-	328,479
	-	-	1,500	906,701	-	908,201
Other expenditures:						
AEA flowthrough	293,948	-	-	-	-	293,948
Total expenditures	7,315,429	276,932	1,765,297	906,701	150,303	10,414,662
Excess(Deficiency) of revenues over (under) expenditures	86,513	(22,612)	(710,090)	(507,651)	13,033	(1,140,807)
Other financing sources(uses):						
Transfer in	-	-	-	527,200	-	527,200
Transfer out	-	-	(527,200)	-	-	(527,200)
Total other financing sources(uses)	-	-	(527,200)	527,200	-	-
Change in fund balances	86,513	(22,612)	(1,237,290)	19,549	13,033	(1,140,807)
Fund balance beginning of year	889,040	110,147	2,485,553	405,265	43,926	3,933,931
Fund balance end of year	\$ 975,553	87,535	1,248,263	424,814	56,959	2,793,124

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA 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(page 22) \$ (1,140,807)

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

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

Expenditures for capital assets	\$ 1,755,298	
Depreciation expense	<u>(502,931)</u>	1,252,367

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (5,013)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. 579,722

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 808

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

Termination benefits	17,500	
Other postemployment benefits	<u>(129,768)</u>	<u>(112,268)</u>

Changes in net position of governmental activities(page 19) \$ 574,809

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 51,897
Inventories	10,122
Accounts receivable	2,191
Due from other governments	7,714
Total current assets	71,924
Noncurrent assets:	
Capital assets, net of accumulated depreciation	106,101
<b>TOTAL ASSETS</b>	178,025
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	856
Salaries and benefits payable	10,184
Total current liabilities	11,040
Noncurrent liabilities:	
Net OPEB liability	4,383
<b>TOTAL LIABILITIES</b>	15,423
<b>NET POSITION</b>	
Investment in capital assets	106,101
Unrestricted	56,501
<b>TOTAL NET POSITION</b>	\$ 162,602

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
<b>OPERATING REVENUE:</b>	
Local sources:	
Charges for services	\$ 145,559
Miscellaneous	769
<b>TOTAL OPERATING REVENUES</b>	<b>146,328</b>
<b>OPERATING EXPENSES:</b>	
Support services:	
Operation and maintenance of plant:	
Services	190
Non-instructional programs:	
Food service operations:	
Salaries	129,823
Benefits	39,610
Services	3,590
Supplies	195,810
Other	37
Depreciation	14,326
<b>TOTAL OPERATING EXPENSES</b>	<b>383,196</b>
<b>OPERATING LOSS</b>	<b>(237,058)</b>
<b>NON-OPERATING REVENUES(EXPENSES):</b>	
State sources	3,097
Federal sources	215,136
Loss on asset disposal	(166)
<b>TOTAL NON-OPERATING REVENUES(EXPENSES)</b>	<b>218,067</b>
Change in net position before other financing sources	(18,991)
Other financing sources:	
Contributed capital	76,936
Change in net position	57,945
Net position beginning of year	104,657
Net position end of year	\$ 162,602

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 146,081
Cash received from miscellaneous operating activities	769
Cash payments to employees for services	(166,742)
Cash payments to suppliers for goods or services	(183,965)
Net cash used by operating activities	(203,857)
Cash flows from non-capital financing activities:	
State grants received	3,097
Federal grants received	196,024
Net cash provided by non-capital financing activities	199,121
Net decrease in cash and cash equivalents	(4,736)
Cash and cash equivalents at beginning of year	56,633
Cash and cash equivalents at end of year	\$ 51,897
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (237,058)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,120
Depreciation	14,326
Increase in inventories	(169)
Decrease in accounts receivable	816
Decrease in accounts payable	(1,289)
Increase in salaries and benefits payable	999
Decrease in unearned revenue	(294)
Increase in other postemployment benefits	1,692
Net cash used by operating activities	\$ (203,857)

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

During the year ended June 30, 2014, the District received \$17,120 of federal commodities.

During the year ended June 30, 2014, the District received capital contributions valued at \$76,936 from the Capital Projects: General obligation construction fund

SEE NOTES TO FINANCIAL STATEMENTS.

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

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

The West Monona Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, four-year old preschool and pre-school special education. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Onawa, Iowa, and the predominate agricultural territory in Monona and Harrison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, West Monona Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Monona Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

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

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

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

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

*Unrestricted net position* consists of net position that does not meet 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The Management Fund is utilized to account for the unemployment, early retirement benefits, insurance agreements and costs of liability insurance and judgments or settlements related to liability.

The District reports the following non-major proprietary fund:

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

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

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

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

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

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

Property Taxes - Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

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

property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

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

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

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

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

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has

not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

#### **E. Budgeting and Budgetary Control**

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

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

The District's deposits at June 30, 2014 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$216,429 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service Fund	Capital Projects: Statewide, Sales, Services and Use Tax	\$ 527,200

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

**Note 4. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business-type activities:</b>				
Machinery and equipment	\$ 262,633	76,936	1,505	338,064
Less accumulated depreciation	218,976	14,326	1,339	231,963
Business type activities capital assets, net	<u>\$ 43,657</u>	<u>62,610</u>	<u>166</u>	<u>106,101</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 92,549	-	-	92,549
Construction in progress	5,438,102	1,242,296	6,680,398	-
Total capital assets not being depreciated	<u>5,530,651</u>	<u>1,242,296</u>	<u>6,680,398</u>	<u>92,549</u>
Capital assets being depreciated:				
Buildings	7,285,281	6,547,915	240,528	13,592,668
Land improvements	831,157	433,841	40,018	1,224,980
Machinery and equipment	1,783,145	211,644	169,143	1,825,646
Total capital assets being depreciated	<u>9,899,583</u>	<u>7,193,400</u>	<u>449,689</u>	<u>16,643,294</u>
Less accumulated depreciation for:				
Buildings	2,231,290	333,942	240,528	2,324,704
Land improvements	748,798	28,554	40,018	737,334
Machinery and equipment	1,459,892	140,435	169,143	1,431,184
Total accumulated depreciation	<u>4,439,980</u>	<u>502,931</u>	<u>449,689</u>	<u>4,493,222</u>
Total capital assets being depreciated, net	<u>5,459,603</u>	<u>6,690,469</u>	<u>-</u>	<u>12,150,072</u>
Governmental activities capital assets, net	<u>\$ 10,990,254</u>	<u>7,932,765</u>	<u>-</u>	<u>12,242,621</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 37,873
Special	-
Other	7,810

Support services:

Administration	23,303
Operation and maintenance of plant	22,666
Transportation	48,783
	<u>140,435</u>

Unallocated depreciation	<u>362,496</u>
--------------------------	----------------

Total governmental activities depreciation expense	<u>\$ 502,931</u>
--	-------------------

Business type activities:

Food service operations	<u>\$ 14,326</u>
-------------------------	------------------

**Note 5. Long-term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,635,000	-	245,000	5,390,000	250,000
Revenue bonds	4,645,000	-	180,000	4,465,000	215,000
Computer lease	395,916	-	154,722	241,194	159,556
Termination benefits	119,500	-	17,500	102,000	18,000
Net OPEB liability	205,586	129,768	-	335,354	-
Total	<u>\$ 11,001,002</u>	<u>129,768</u>	<u>597,222</u>	<u>10,533,548</u>	<u>642,556</u>
Business type activities:					
Net OPEB liability	<u>\$ 2,691</u>	<u>1,692</u>	<u>-</u>	<u>4,383</u>	<u>-</u>

**General Obligation Bonds Payable**

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

Year Ending June 30,	Bond Issue of July 01, 2012				
	Interest Rate		Principal	Interest	Total
2015	2.00	% \$	250,000	129,077	379,077
2016	2.00		255,000	124,077	379,077
2017	2.00		260,000	118,977	378,977
2018	2.00		265,000	113,777	378,777
2019	2.00		270,000	108,478	378,478
2020-2024	2.00-2.15		1,430,000	459,100	1,889,100
2025-2029	2.25-3.00		1,595,000	293,952	1,888,952
2030-2032	3.00		1,065,000	64,500	1,129,500
Total			<u>\$ 5,390,000</u>	<u>1,411,938</u>	<u>6,801,938</u>

**Revenue Bonds Payable**

Details of the District's June 30, 2014 revenue bonds indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 01, 2010				
	Interest Rate		Principal	Interest	Total
2015	4.00	% \$	155,000	147,280	302,280
2016	4.00		165,000	141,080	306,080
2017	4.00		170,000	134,480	304,480
2018	4.00		180,000	127,680	307,680
2019	4.00		185,000	120,480	305,480
2020-2024	4.00		1,065,000	483,600	1,548,600
2025-2029	4.10-4.60		1,335,000	240,465	1,575,465
2030	4.70-4.80		220,000	5,280	225,280
Subtotal			<u>\$ 3,475,000</u>	<u>1,400,345</u>	<u>4,875,345</u>

Year Ending June 30,	Bond Issue of July 01, 2012				
	Interest Rate		Principal	Interest	Total
2015	2.00	% \$	60,000	26,538	86,538
2016	1.50		60,000	25,338	85,338
2017	1.50		60,000	24,438	84,438
2018	2.00		60,000	23,538	83,538
2019	2.00		60,000	22,338	82,338
2020-2024	2.50-3.00		295,000	90,886	385,886
2025-2029	3.00-3.50		345,000	44,848	389,848
2030	3.50		50,000	875	50,875
Subtotal			<u>\$ 990,000</u>	<u>258,799</u>	<u>1,248,799</u>
Total			<u>\$ 4,465,000</u>	<u>1,659,144</u>	<u>6,124,144</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,900,000 bonds issued in June 2010 and July 2012. The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,124,144. For the current year \$180,000 of principal and \$179,918 of interest was paid on the bonds and statewide sales, services and use tax revenue were \$613,900.

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

- a) \$403,608 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) Monthly transfers will be made by the District from the Capital Projects: Statewide Sales, Services and Use Tax Fund shall be placed in a Reserve Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

**Computer Lease Payable**

Details of the District’s June 30, 2014 computer lease indebtedness is as follows:

Year Ending June 30,	Computer Lease of June 1, 2012				
	Interest Rate		Principal	Interest	Total
2015	3.10	% \$	159,556	6,250	165,806
2016	3.10		81,638	1,265	82,903
Total			\$ 241,194	7,515	248,709

**Termination Benefits (Early Retirement)**

The District offered a voluntary early retirement plan to its certified employees for one year. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. The plan is for \$500/month for costs towards retirees’ medical insurance and they can stay on the plan if they would like. Employees must complete an application which is subject to approval by the Board of Education. During the year ended June 30, 2014, the District paid \$17,500 of termination benefits.

**Note 6. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees’ Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS

provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$388,611, \$393,246, and \$352,764, respectively, equal to the required contributions for each year.

**Note 7. Other Postemployment Benefits**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 80 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's 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	\$ 130,804
Interest on net OPEB obligation	9,372
Adjustment to annual required contribution	(8,716)
Annual OPEB cost	<u>131,460</u>
Contributions made	<u>-</u>
Increase in net OPEB obligation	131,460
Net OPEB obligation beginning of year	<u>208,277</u>
Net OPEB obligation end of year	<u><u>\$ 339,737</u></u>

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 84,428	46.19 %	\$ 107,147
2013	131,350	23.01	208,277
2014	131,460	0.00	339,737

**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 \$939,752, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$939,752. The covered payroll (annual payroll of active employees covered by the plan) was \$3,578,181, and the ratio of the UAAL to covered payroll was 26.26%. 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 event 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.

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 July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The average salary increase is 3.5%. The medical insurance premium increases 4% per year.

Mortality rates are from the National Health Care Expenditures Projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services in 2007. Annual retirement and termination probabilities were based upon Table 1 in GASB Statement 45.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Risk Management**

The West Monona Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, vision, life and long-term disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$849,664.

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

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.

**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 \$293,948 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. Budget Over expenditure**

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the certified budget and the District exceeded its General Fund unspent authorized budget.

**Note 11. Categorical Funding**

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

Program	Amount
Limited english proficient	\$ 15,657
Home school assistance program	38,954
Weighted at-risk programs	25,798
Gifted and talented programs	142,285
Dropout and dropout prevention programs	192,153
Core curriculum	2,587
Four-year old Preschool State Aid	40,349
Successful Progression for Early Readers	13,807
Teacher salary supplement	39,338
Teacher Leadership Grants	1,220
	<hr/>
Total restricted for categorical funding	<u>\$ 512,148</u>

**Note 12. Construction Commitment**

The District has entered into contracts totaling \$5,736,120 for an addition and renovations to Lark Elementary. As of June 30, 2014 the construction project was completed.

**Note 13. Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Restricted
<b>Fund balance (Exhibit C)</b>	\$ -	87,535	424,814	463,405
Capital assets	12,242,621	-	-	-
General obligation bond capitalized indebtedness	(5,390,000)	-	-	-
Revenue bond capitalized indebtedness	(4,465,000)	-	-	-
Computer lease	-	-	-	(241,194)
Income surtax	-	-	-	195,777
Accrued interest payable	-	-	(11,380)	-
Termination benefits	-	(87,535)	-	(14,465)
Net OPEB liability	-	-	-	(335,354)
<b>Net position (Exhibit A)</b>	<b>\$ 2,387,621</b>	<b>-</b>	<b>413,434</b>	<b>68,169</b>

**Note 14. 28 E Facility Shared Use Agreement with Magic Depot Daycare**

The District participates in a shared use agreement with Magic Depot for the use of a building that is located on District land. This agreement is for the use of a building by Magic Depot that is to be used to provide daycare service to the community. The agreement allows Magic Depot to use the Districts Computer Network and Telephone Network for no charge. The cost of utilities will be paid jointly by the School District and Magic Depot. The agreement remains in effect for any fiscal year until either the District or Magic Depot does not wish to participate in the agreement. Either party may terminate that agreement by a personally delivered notice to the secretary of the other party. The notice must be delivered 90 days before the renewal date

**Note 15. 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 established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosure 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.

WEST MONONA COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,270,907	146,328	4,417,235	5,174,135	5,174,135	(756,900)
State sources	4,687,714	3,097	4,690,811	4,004,384	4,004,384	686,427
Federal sources	315,234	215,136	530,370	545,000	545,000	(14,630)
Total revenues	<u>9,273,855</u>	<u>364,561</u>	<u>9,638,416</u>	<u>9,723,519</u>	<u>9,723,519</u>	<u>(85,103)</u>
Expenditures/Expenses:						
Instruction	4,846,341	-	4,846,341	5,504,544	5,504,544	658,203
Support services	2,793,578	190	2,793,768	3,313,924	3,313,924	520,156
Non-instructional programs	-	383,362	383,362	672,543	672,543	289,181
Other expenditures	2,774,743	-	2,774,743	2,612,647	2,612,647	(162,096)
Total expenditures/expenses	<u>10,414,662</u>	<u>383,552</u>	<u>10,798,214</u>	<u>12,103,658</u>	<u>12,103,658</u>	<u>1,305,444</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,140,807)	(18,991)	(1,159,798)	(2,380,139)	(2,380,139)	1,220,341
Other financing sources, net	-	76,936	76,936	-	-	76,936
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,140,807)	57,945	(1,082,862)	(2,380,139)	(2,380,139)	1,297,277
Balance beginning of year	<u>3,933,931</u>	<u>104,657</u>	<u>4,038,588</u>	<u>2,380,139</u>	<u>2,380,139</u>	<u>1,658,449</u>
Balance end of year	<u>\$ 2,793,124</u>	<u>162,602</u>	<u>2,955,726</u>	<u>-</u>	<u>-</u>	<u>2,955,726</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the Year ended June 30, 2014, expenditures in the other expenditures functional area exceed the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
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	\$ -	\$ 683,000	\$ 683,000	0.00 %	\$ 3,245,586	21.04 %
2011	July 1, 2009	-	683,000	683,000	0.00	3,390,288	20.15
2012	July 1, 2009	-	683,000	683,000	0.00	3,637,764	18.78
2013	July 1, 2012	-	939,752	939,752	0.00	3,581,647	26.24
2014	July 1, 2012	-	939,752	939,752	0.00	3,578,181	26.26

See Note 7 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 MONONA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 746,460	231,590	978,050
Receivables:			
Property tax:			
Delinquent	-	4,120	4,120
Succeeding year	-	316,860	316,860
Income surtax	-	65,259	65,259
Due from other governments	277,252	-	277,252
<b>TOTAL ASSETS</b>	<b>\$ 1,023,712</b>	<b>617,829</b>	<b>1,641,541</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	11,159	11,159
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	316,860	316,860
Income surtax	-	65,259	65,259
Total deferred inflows of resources	-	382,119	382,119
Fund balances:			
Restricted for:			
School infrastructure	1,023,712	-	1,023,712
Physical plant and equipment	-	224,551	224,551
Total fund balances	1,023,712	224,551	1,248,263
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,023,712</b>	<b>617,829</b>	<b>1,641,541</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales and Services Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	374,431	374,431
Other	65,874	817	-	66,691
State sources	613,900	-	185	614,085
<b>TOTAL REVENUES</b>	<b>679,774</b>	<b>817</b>	<b>374,616</b>	<b>1,055,207</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	-	4,236	4,236
Support services:				
Administration	-	-	2,267	2,267
Operation and maintainance of plant	7,438	-	75,568	83,006
Transportation	83,875	-	17,819	101,694
Capital outlay	636,031	583,624	352,939	1,572,594
Long-term debt:				
Interest and fiscal charges	1,500	-	-	1,500
<b>TOTAL EXPENDITURES</b>	<b>728,844</b>	<b>583,624</b>	<b>452,829</b>	<b>1,765,297</b>
Deficiency of revenues under expenditures	(49,070)	(582,807)	(78,213)	(710,090)
Other financing sources(uses):				
Transfer out	(527,200)	-	-	(527,200)
<b>Total other financing sources(uses)</b>	<b>(527,200)</b>	<b>-</b>	<b>-</b>	<b>(527,200)</b>
Change in fund balances	(576,270)	(582,807)	(78,213)	(1,237,290)
Fund balance beginning of year	1,599,982	582,807	302,764	2,485,553
Fund balance end of year	\$ 1,023,712	-	224,551	1,248,263

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2014

	Debt Service		
	Debt Service	Debt Sinking	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 17,093	673,736	690,829
Receivables:			
Property tax:			
Delinquent	5,444	-	5,444
Succeeding year	396,163	-	396,163
<b>TOTAL ASSETS</b>	<b>\$ 418,700</b>	<b>673,736</b>	<b>1,092,436</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	-	271,459	271,459
Deferred inflows of Resources:			
Unavailable revenues:			
Succeeding Year property tax	396,163	-	396,163
<b>Fund balances:</b>			
Restricted for:			
Debt service	22,537	402,277	424,814
Total fund balances	22,537	402,277	424,814
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 418,700</b>	<b>673,736</b>	<b>1,092,436</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 DEBT SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2014

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 398,778	-	398,778
Other	-	27	27
State sources	245	-	245
<b>TOTAL REVENUES</b>	<b>399,023</b>	<b>27</b>	<b>399,050</b>
EXPENDITURES:			
Long-term debt:			
Principal	399,722	180,000	579,722
Interest and fiscal charges	145,561	181,418	326,979
<b>TOTAL EXPENDITURES</b>	<b>545,283</b>	<b>361,418</b>	<b>906,701</b>
Deficiency of revenues under expenditures	(146,260)	(361,391)	(507,651)
Other financing sources:			
Transfer in	165,806	361,394	527,200
Change in fund balances	19,546	3	19,549
Fund balance beginning of year	2,991	402,274	405,265
Fund balance end of year	\$ 22,537	402,277	424,814

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Speech	\$ 181	3,021	2,409	-	793
Fall Play	3,173	150	297	-	3,026
Vocal	7,699	3,819	2,269	-	9,249
Instrumental	8,620	1,986	1,205	-	9,401
Band Uniform	576	-	-	-	576
Boys Basketball Camp	768	-	-	-	768
Girls Basketball Camp	2,096	4,026	2,733	-	3,389
General Athletics	13	97,008	86,267	40	10,794
Girls Golf Camp	450	100	-	-	550
Boys Golf Camp	253	100	-	-	353
Baseball Camp	-	325	-	-	325
Boys Track Camp	92	-	-	-	92
Volleyball Club	258	943	722	-	479
Class of 2013	390	-	350	(40)	-
Class of 2014	1,309	90	21	-	1,378
Class of 2015	-	7,817	6,778	-	1,039
NHS-National Honor Society	36	-	-	-	36
Pep Club	22	-	-	-	22
HS Student Council	57	946	674	-	329
MS Student Council	1,148	1,113	2,169	-	92
MS Science Club	37	-	-	-	37
Art Club	75	4,172	4,066	(100)	81
Dance Team	917	853	1,682	-	88
Cheerleaders	134	-	-	-	134
BB Cheerleaders	1,569	1,109	2,087	-	591
FB Cheerleaders	705	762	983	-	484
WR Cheerleaders	188	594	207	-	575
Yearbook	6,291	10,078	10,424	-	5,945
Quiz Bowl	117	-	-	-	117
FCCLA	598	3,214	3,559	100	353
Raffle Tax	14	-	-	-	14
Pop/Juice	1,440	5,323	5,435	(538)	790
HS Science Club	193	20	-	-	213
Industrial Arts	114	-	-	-	114
Football Camp	64	10,735	9,296	-	1,503
Wrestling Club	36	-	-	-	36
Softball Camp	3,178	1,072	2,191	-	2,059
Weightlifting Club	579	-	-	-	579
HS Reward Trips	408	-	-	-	408
MS Reward Trips	-	3,776	4,314	538	-
Key Club	128	184	165	-	147
Total	\$ 43,926	163,336	150,303	-	56,959

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**WEST MONONA COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,721,387	4,261,739	3,567,429	3,335,386	3,074,799	2,951,000	2,822,147	2,814,782	2,365,190	2,064,037
Tuition	189,107	201,334	197,692	202,493	260,940	219,910	218,935	216,278	198,350	191,256
Other	360,413	238,714	189,321	252,873	245,931	331,617	394,558	434,636	286,709	305,143
Intermediate sources	-	-	-	-	-	-	-	-	-	6,510
State sources	4,687,714	4,025,800	3,947,593	3,545,702	2,961,720	3,503,916	3,629,585	3,360,010	3,353,141	3,177,181
Federal sources	315,234	335,540	389,327	620,241	720,883	359,789	308,242	267,709	262,205	287,310
<b>Total</b>	<b>\$ 9,273,855</b>	<b>9,063,127</b>	<b>8,291,362</b>	<b>7,956,695</b>	<b>7,264,273</b>	<b>7,366,232</b>	<b>7,373,467</b>	<b>7,093,415</b>	<b>6,465,595</b>	<b>6,031,437</b>
Expenditures:										
Instruction:										
Regular	\$ 3,041,910	3,240,213	3,911,735	3,025,453	2,710,565	2,753,050	2,643,890	2,602,390	2,336,293	2,229,304
Special	924,973	1,112,327	1,133,955	1,261,123	1,106,529	1,210,575	1,030,248	928,939	1,103,664	815,682
Other	879,458	931,846	839,562	650,873	644,863	477,573	438,408	573,321	391,394	406,183
Support services:										
Student	254,120	206,296	226,458	215,089	187,909	149,180	123,745	138,931	158,054	147,026
Instructional staff	322,711	268,357	224,771	224,553	205,744	164,642	152,569	97,840	115,974	82,558
Administration	1,003,014	930,968	884,819	781,674	695,376	735,429	800,031	857,651	845,949	709,071
Operation and maintenance of plant	859,993	767,682	650,467	672,281	614,026	599,037	566,107	610,037	743,790	645,090
Transportation	353,740	235,505	303,969	256,772	288,531	238,617	207,478	185,799	310,363	220,778
Non-instructional programs	-	-	845	11,575	12,507	8,585	14,827	9,142	10,199	12,046
Capital outlay	1,572,594	5,151,150	1,744,288	2,601,708	970,751	36,097	116,079	101,649	60,255	71,774
Long-term debt:										
Principal	579,722	565,035	245,000	45,000	200,352	180,000	170,000	160,000	150,000	145,000
Interest	328,479	333,726	244,625	101,395	12,024	21,887	30,308	39,353	48,075	58,890
Other expenditures:										
AEA flow-through	293,948	286,743	272,496	288,042	278,577	251,829	247,241	225,407	219,765	210,935
<b>Total</b>	<b>\$ 10,414,662</b>	<b>14,029,848</b>	<b>10,682,990</b>	<b>10,135,538</b>	<b>7,927,754</b>	<b>6,826,501</b>	<b>6,540,931</b>	<b>6,530,459</b>	<b>6,493,775</b>	<b>5,754,337</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the West Monona Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Monona Community School District as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 12, 2015.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weaknesses and significant deficiencies.

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

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

## **Compliance and Other Matters**

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

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

## **West Monona Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2015  
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparations, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparations, mailing and recording.

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

Response - This is an ongoing concern that is noted by the auditors. Our personnel talk about this each year it is noted and the District will try to find more ways to address the concern

Conclusion - Response accepted

I-B-14 Deficit Student Nutrition Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student lunch account balances.

Recommendation - The District should review their procedures and policies in regards to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - This has been a source of concern and we have attempted collections through several notifications with minimal results. Our Board approved a new policy and practice that has significantly improved collection results.

Conclusion - Response accepted

I-C-14 Purchase Orders - We noted during our Audit that the District does not utilize a purchase order system with district credit cards. The lack of P.O. for credit cards does not provide any control over purchases made.

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

Although the district is not required to use purchase orders, the benefits to financial management make the system desirable. The District should review and make any necessary changes to the current purchase order and credit card systems.

Response - Our procedures have been adjusted to ask for a purchase order prior to ordering something with a credit card.

Conclusion - Response accepted

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

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the certified amounts in the other expenditures functional area. The District also exceeded its general Fund unspent authorized budget for the year ended June 30, 2014 by \$176,258.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response – As noted on page 14 of this audit report, end of the year transfers led to the excess in the Total Other Expenditures area. This has been reviewed and addressed for future budgets.

The overspending of the total spending authority has been addressed with the SBRC. The district appeared before the SBRC in January of 2015 to present a request for additional authority and a Corrective Action Plan. The SBRC accepted the Corrective Action Plan and approved \$176,258 of additional spending authority. The Corrective Action Plan calls for a net reduction of \$220,000 for FY16. Plans are being developed to do this.

Conclusion – Response Accepted

II-B-14 Questionable Disbursements - 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 - No business transactions between the District and District officials or employees were noted.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

**Closed Session**-We noted during our audit that the minutes did not document the code section for a closed session as required by Iowa Code.

Recommendation - The vote of each board member on the question of holding the closed session and the reason for holding a closed session must be referenced by the specific exemption under Chapter 21.5 (1) and announced publicly at the open session as well as entered in the minutes. A governmental body shall not discuss any business during the closed session which does not directly relate to the specific reason given as justification

for the closed session.

Response – We are ensuring more thorough and complete documentation for closed sessions as they are required. This includes on the agenda, at the meeting, and in the minutes.

Conclusion – Response accepted

**Depositories** - We noted during our audit that the district did not list the depositories in the board minutes. The Depositories should be listed in accordance of Section 12C.2 of the Iowa Code.

Recommendation - The District should list the Depositories in accordance of Section 12C.2 of the Iowa Code. Section 12C.2 of the Iowa Code states that “*The Approval of a financial institution as a depository of public funds shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository.*”

Response – This was an oversight that was corrected shortly after the auditors made us aware of it. We will ensure it is done in a timely fashion in the future.

Conclusion – Response accepted

II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-14 Supplementary Weighting - We noted a variance in the supplementary weighting certified to the Departments of Education. The amount certified has a Net adjustment understated by 1.756.

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

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

Conclusion - Response accepted

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

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-14 Categorical Funding - We noted no instances of categorical funding being used to supplant rather than supplement other funds.

II-L-14 Statewide Sales, Service and Use Tax - During our audit, there was no instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to

include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning Balance		\$ 1,599,982
Revenues/transfers in:		
Sales tax revenues	\$ 613,900	
Other	65,874	679,774
		<u>2,279,756</u>
Expenditures/Transfers Out:		
Equipment	7,438	
Other	721,406	
Transfers to other funds		
Debt service funds	527,200	1,256,044
		<u>1,023,712</u>
Ending Balance		\$ <u>1,023,712</u>

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

II-M-14 Physical Plant and Equipment Levy (PPEL) Expenditures - We noted during our audits that the District made purchases from the PPEL Fund which do not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa. The District had expenditures of \$909 for Green fee at the local golf course.

Recommendation - The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowability of expenditures from the PPEL Fund.

Response – The District has signed a lease agreement with the Golf course for the use of the Golf Course Facilities for the Gold and Cross Country Teams. The district is looking into turning this lease into a 28E agreement.

Conclusion - Response accepted

II-N-14 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6 (1), the purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for students.

**Questionable Accounts:** The Student Activity Fund is maintaining accounts called HS rewards trips and MS rewards trips. These accounts are for end of year reward trips for a good year and are counted as part of the instructional day. The Student Activity Fund also maintains an account called Industrial Arts that has had no activity for over two years.

Recommendation - These accounts appear to be instructional in nature and should be recorded in the General Fund.

Response - The MS and HS Reward trip funds have been moved to the General Fund.

Conclusion - Response accepted

**Box Top for education:** We noted during our audit that the District recorded revenues from Box Tops for Education in the Student Activity Fund. Donations to a school should be expended according to donor request. According to information contained on the website for Box Tops for education, the donations are to be used for instructional purposes.

Recommendation - Since the Box top donations are supposed to be used for instructional purposes, the donations should be recorded in the General Fund.

Response - The funds will be placed in the General fund and used for instructional purposes.

Conclusion - Response accepted

II-O-14 District and Regional Rents - We noted during our audit that the district received money received for hosting District Volleyball into Student Activity Fund. This is considered rent and should be receipted to General Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response – These funds will be placed in the General Fund in the future.

Conclusion – Response accepted

II-P-14 Class Trip - We noted during the audit that the District took a field trip and charged the students for admission to roller skating and Adventureland as part of the trip. Based on a Department of Education Declaratory ruling it would be inappropriate to charge individuals to participate in a field trip that is being counted as one of its 180 days of instruction for students. When a field trip is part of a class, the activity is considered to be part of instruction and would therefore be part of tuition and not assessed a fee. If the field trip is not part of instruction, the field trip should not be counted as a day of instruction.

Recommendation - The District should evaluate what is allowable when it comes to planning field trips. Issues concerning the nature of the trip and required attendance should be considered when determining if fees may be charged. The District could use fundraising to subsidize such field trips in the future. The District should not charge students to attend field trips being counted in the 180 days of instruction.

Response - The district has reviewed the guidelines for educational trips and will follow them accordingly in the future.

Conclusion – Response accepted

II-Q-14 28 E Agreement - We noted during our audit that the District has a 28 E Agreement with Magic Depot for the use of a building that is on district land and that is attached to a district building. We noted that neither party seems to follow the stipulation of said

agreement. The 28 E Agreement states that the District is supposed to pay a yearly stipend to Magic Depot in exchange the Magic Depot is supposed to allow the School District to manage the Center. The School District is also supposed to make annual payments to Magic Depot to help defray the cost of insurance. Neither of these conditions are being met by either party.

Recommendation - The District should consult the District's legal advisors to see about updating the agreement so that there is a closer representation of what is actually occurring between the District and Magic Depot in reference to the building.

Response - We are in the process of reviewing and updating this 28E that was originally put into place in 2001. Proper notice will be given to Magic Depot, as per the agreement, to update the agreement.

Conclusion - Response accepted