

**WEST HANCOCK COMMUNITY SCHOOL DISTRICT
BRITT, IOWA**

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

YEAR ENDED JUNE 30, 2015

**Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants**

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**West Hancock Community School District
Britt, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jay Burgardt	President	2017
Paul Kumsher	Vice President	2015
Jill Carlson	Board Member	2015
Gary Chizek	Board Member	2017
Murray Quastad	Board Member	2017
Ryan Johnson	Board Member	2015
Leah Deutsch	Board Member	2015
School Officials		
Wayne Kronemann	Superintendent	Indefinite
Mona Buns	District Secretary/Treasurer and Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Hancock Community School District, Britt, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Hancock Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 12 to the financial statements, West Hancock Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 17 and 56 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Hancock 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 five years ended June 30, 2014 and the three years ended June 30, 2008 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2009 (which is not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our 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 16, 2016 on our consideration of West Hancock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Hancock Community School District's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 16, 2016

Management Discussion and Analysis

The West Hancock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

General Fund revenues for fiscal 2015 were \$6,212,852 while General Fund expenditures were \$6,553,909; this resulted in a decrease in the District's General Fund balance from \$2,262,511 in fiscal 2014 to \$1,921,454 in fiscal 2015, or a \$341,057 decrease from the prior year.

The decrease in General Fund balance was attributable to an increase in negotiated salaries and benefits.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.

The statements for *governmental funds* explain how basic services, such as regular and special education were financed in the *short term* as well as what remains for future spending.

The statement for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1

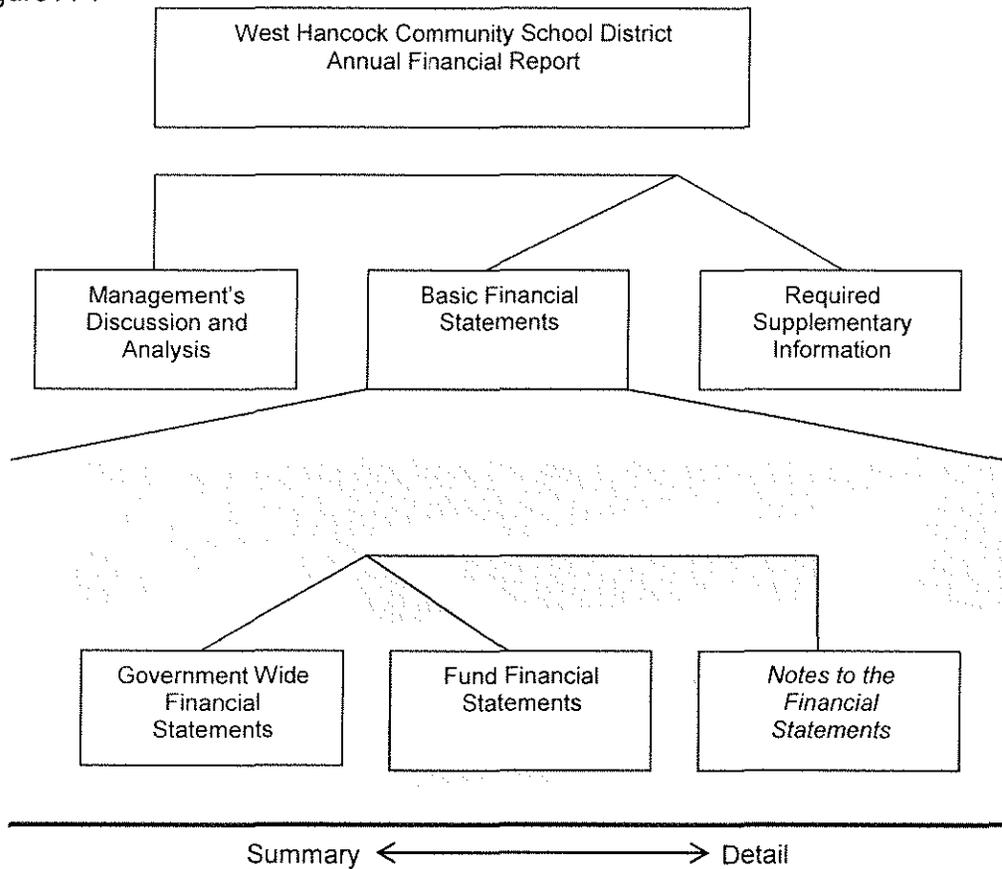


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure
A-2:**

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of cash flows Statement of revenues,	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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 taxes and state aid finance most of these activities.

Business type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

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

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 statements.

- The District's *enterprise funds* (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the preschool fund.

Financial Analysis of the District as a Whole

Net assets. - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2015, compared to June 30, 2014.

Figure A-3
Condensed Statement of Net Assets (in millions of dollars) June 30, 2015

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	2014 (not restated)	2015	2014 (not restated)	2015	2014 (not restated)	2015
Current and other assets	7.068	7.252	.057	.053	7.125	7.305
Capital assets	9.438	9.261	.033	.028	9.471	9.289
Total assets	16.506	16.513	.090	.081	16.596	16.594
Deferred outflows of resources	---	.433	---	.011		
Long-term debt outstanding	5.434	6.973	.009	.066	5.443	7.039
Other liabilities	.202	.431	.005	.005	.207	.436
Total liabilities	5.636	7.404	.014	.071	5.650	7.475
Deferred Inflows of Resources	2.917	3.765	---	.022	2.917	3.787
Net assets						
Invested in capital assets, net of related debt	4.230	4.658	.033	.028	4.263	4.686
Restricted	1.225	.994	-	-	1.225	.994
Unrestricted	2.498	.125	.043	(.029)	2.541	.096
Total net assets	7.953	5.777	.076	(.001)	8.029	5.776

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,667,033 and \$71,137, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2015.

Figure A-4
Changes in Net Assets from Operating Results (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District	
	<u>2014 (not restated)</u>	<u>2015</u>	<u>2014 (not restated)</u>	<u>2015</u>	<u>2014 (not restated)</u>	<u>2015</u>
Revenues						
Program revenues						
Charges for services	.257	.600	.114	.120	.371	.720
Operating Grants & Contributions	1.356	1.188	.186	.174	1.542	1.362
Capital Grants & Contributions	.011	-	-	-	.011	-
General revenues						
Property Taxes & Other Local Taxes	3.846	3.882	-	-	3.846	3.882
Unrestricted State Aid	2.159	2.185	-	-	2.159	2.185
Other	.067	.107	-	.002	.067	.109
Total revenues	7.696	7.962	.300	.296	7.996	8.258
Expenses						
Instruction	4.602	4.638	-	-	4.602	4.638
Support Services	2.006	2.089	-	-	2.006	2.089
Non-instructional programs	-	-	.296	.302	.296	.302
Other	.800	.744	-	-	.800	.744
Total expenses	7.408	7.471	.296	.302	7.704	7.773
Increase (decrease) in net assets	.288	.491	.004	(.006)	.292	.485

Property tax, income surtax, sales taxes and state foundation aid account for 73 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 87 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,962,121 and expenses were \$7,470,680. This resulted in an increased budget balance.

Figure A-5 The following graph presents the total Revenue for the District's major governmental activities: state aid, federal and state grants, property taxes, charges for services and other incomes.

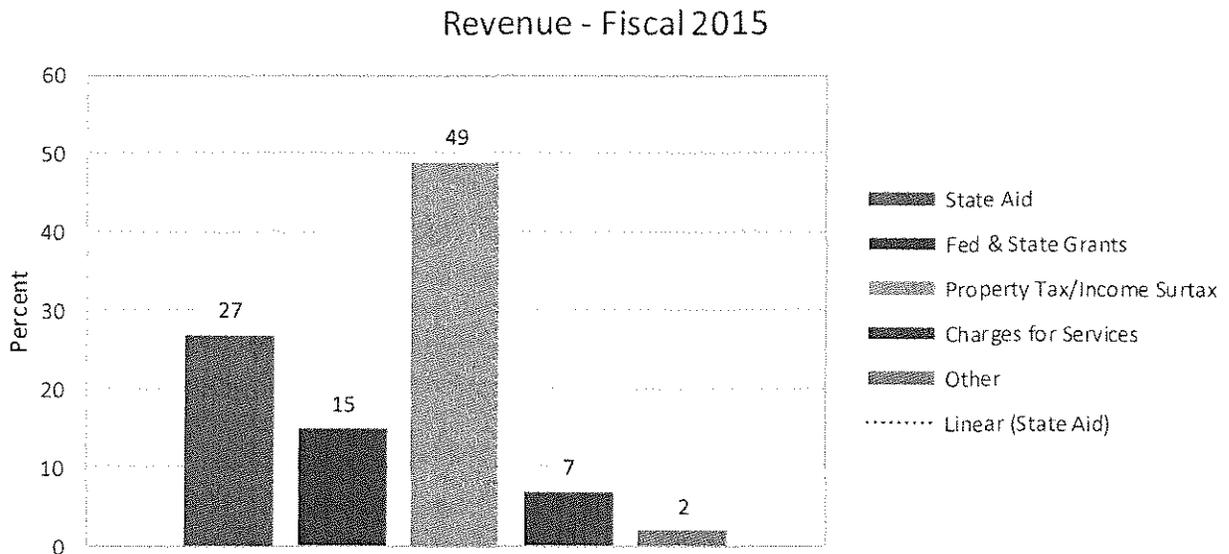


Figure A-6 The following graph presents the total Expenditures for the District's major governmental activities: instruction, student & instructional services, administration & business operations & maintenance, transportation and AEA flow thru.

Expenditure - Fiscal 2015

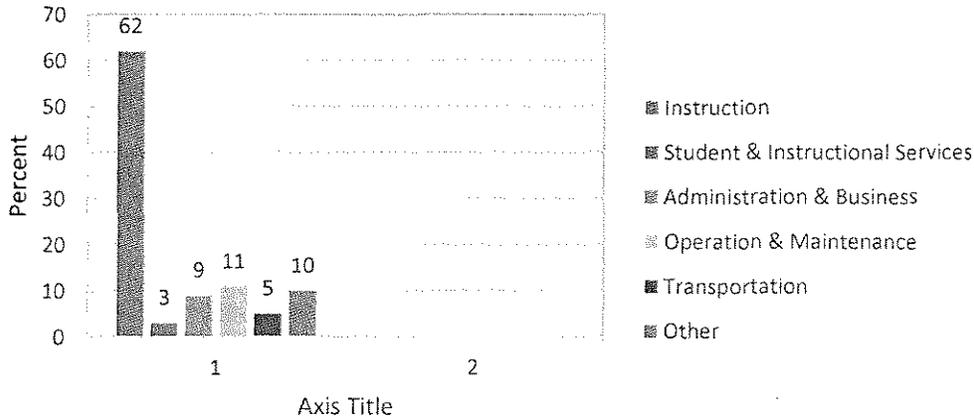


Figure A-7 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7

Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Instruction	\$4.638	\$ 3.111
Pupil & Instructional Services	.250	.249
Administrative & Business	.692	.692
Maintenance & operations	.803	.803
Transportation	.344	.331
Other	.744	.497
Total	\$ 7.471	\$ 5.683

The cost of all governmental activities this year was \$7,470,680.

Some of the cost was financed by the users of the District's programs in the amount of \$600,077

The federal and state governments subsidized certain programs with grants and contributions \$1,188,081

Most of the District's costs were financed by District and state taxpayers.

This portion of governmental activities was financed with \$2,917,445 million in property taxes, \$307,263 of income surtax, \$657,539 of sales tax and \$2,184,435 of unrestricted state aid based on the statewide finance formula, and investment earnings.

Business Type Activities

Revenues from the District's business-type activities included charges for services in the amount of \$119,760 and \$173,821 from operating grants, contributions and restricted interest. Expenses from the District's business type activities amounted to \$302,382. The Hot Lunch program was the main Business Type Activity for the District during the 2015 school year.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,643,499 which is \$77,247 below last year's ending fund balances of \$3,720,746. The main reason this decreased is due to an increase in expenditures.

Governmental Fund Highlights

The General Fund balance decreased from \$2,262,511 to \$1,921,454 due to an increase in negotiated salaries and benefits.

The Debt Service Fund balance increased \$157,192, due to an increase in local tax.

The Capital projects fund increased \$231,335, due to an increase in revenue from state sources.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$5,282 at June 30, 2014 to a deficit of \$1,107 at June 30, 2015, which was stable.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is the aggregated functional level, not at the fund or fund type level. The budget did not get amended during the year to fully account for the repayment of the refunding bond payoff. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$23,077 more than budgeted receipts, which is a 0.3% variance.

Capital Asset and Debt Administration

Capital Assets

By the end of 2015 the District had invested \$9.3 million, in a broad range of assets, including school buildings, school infrastructure, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8) **(More detailed information about capital assets can be found in Note 4 to the financial statements.)** Total depreciation expense for the year exceeded \$530,000.

Figure A-8 Capital Assets (net of depreciation, (in millions of dollars))			
	Governmental Activities <u>2015</u>	Business Type Activities <u>2015</u>	Total School District <u>2015</u>
Land	0.162	0	0.162
Construction in progress	0.195	0	0.195
Buildings	8.252	0	8.252
Improvements	.144	0	.144
Equipment & Furniture	0.508	.028	0.536
	9.261	.028	9.289

Long-Term Debt

At year-end, the District had \$4,630,000 in general obligation and revenue bonds outstanding. This represents a decrease of 11.64% over the previous fiscal year as can be seen in Figure A-9 below.

Figure A-9
Outstanding Long-Term Debt (in millions of dollars)

	Total School District		Total Percentage Change
	<u>2015</u>	<u>2014</u>	<u>2014-15</u>
General Obligation bonds	2.425	2.935	-17.38
Revenue bonds	2.205	2.305	-4.34
Total	4.630	5.240	-11.64

Factors Bearing on the District's Future

The following factors will have some impact on the district's financial future.

The district must expect and plan for a continued enrollment decline of approximately 5% over the next five years.

1. Small surrounding districts that may have to whole grade share or dissolve.
2. The number of farms in Hancock County continues to decline
3. Few new houses have been built in Britt or Kanawha in the past few years.

Future state funding will be a major factor in the district's future.

State and Federal unfunded mandates will determine the degree to which the district will commit itself to effectively manage the fiscal matters of the district.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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, Mona Buns, Board Secretary/Business Manager, West Hancock Community School District, 510 9th Ave. SW., Britt, Iowa 50423

Basic Financial Statements

West Hancock Community School District
Britt, Iowa
Statement of Net Position
June 30, 2015

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 3,722,390	47,977	3,770,367
Receivables:			
Property tax:			
Delinquent	26,457	-	26,457
Succeeding year	2,926,818	-	2,926,818
Accounts	6,899	4,947	11,846
Accrued interest	3,812	-	3,812
Due from other governments	565,422	-	565,422
Inventories	-	540	540
Capital assets, net of accumulated depreciation	<u>9,261,105</u>	<u>27,754</u>	<u>9,471,622</u>
Total assets	<u>16,512,903</u>	<u>81,218</u>	<u>16,594,121</u>
 Deferred Outflows of Resources			
Pension related deferred outflows	<u>433,350</u>	<u>11,041</u>	<u>444,391</u>
 Liabilities			
Accounts payable	342,050	-	342,050
Salaries and benefits payable	24,165	-	24,165
Accrued interest payable	59,545	-	59,545
Advances from grantors	4,832	4,692	9,524
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	520,000	-	520,000
Revenue bonds	105,000	-	105,000
Compensated absences	8,632	-	8,632
Portion due after one year:			
General obligation bonds (net of \$15,243 unamortized discount)	1,889,757	-	1,889,757
Revenue bonds (net of \$12,179 unamortized discount)	2,087,821	-	2,087,821
Net pension liability	2,090,923	55,771	2,146,694
Net OPEB liability	<u>271,361</u>	<u>10,549</u>	<u>281,910</u>
Total liabilities	<u>7,404,086</u>	<u>71,012</u>	<u>7,475,098</u>
 Deferred Inflows of Resources			
Unavailable property tax revenue	2,926,818	-	2,926,818
Pension related deferred inflows	<u>838,104</u>	<u>22,354</u>	<u>860,458</u>
Total deferred inflows of resources	<u>3,764,922</u>	<u>22,354</u>	<u>3,787,276</u>

(continued)

West Hancock Community School District
 Britt, Iowa
 Statement of Net Position
 June 30, 2015

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net position			
Net investment in capital assets	4,658,527	27,754	4,686,281
Restricted for:			
Categorical funding	179,072	-	179,072
Management levy	252,930	-	252,930
Physical plant and equipment levy	192,046	-	192,046
Other special revenue purposes	151,363	-	151,363
Debt service	218,170	-	218,170
Unrestricted	125,137	(28,861)	96,276
Total net position	<u>\$ 5,777,245</u>	<u>(1,107)</u>	<u>5,776,138</u>

See notes to financial statements.

West Hancock Community School District
 Britt, Iowa
 Statement of Activities
 Year ended June 30, 2015

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,820,979	276,982	481,694	-
Special instruction	701,361	68,074	127,814	-
Other instruction	1,115,620	251,143	321,031	-
	<u>4,637,960</u>	<u>596,199</u>	<u>930,539</u>	<u>-</u>
Support services:				
Student	65,441	-	319	-
Instructional staff	184,270	-	-	-
Administration	692,351	-	-	-
Operation and maintenance of plant	802,941	320	-	-
Transportation	343,961	3,558	9,987	-
	<u>2,088,964</u>	<u>3,878</u>	<u>10,306</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	-	-
Long-term debt interest	171,399	-	-	-
AEA flowthrough	247,236	-	247,236	-
Depreciation (unallocated)*	325,121	-	-	-
	<u>743,756</u>	<u>-</u>	<u>247,236</u>	<u>-</u>
Total governmental activities	7,470,680	600,077	1,188,081	-
Business type activities:				
Non-instructional programs:				
Food service operations	302,382	119,760	173,821	-
Total	<u>\$ 7,773,062</u>	<u>719,837</u>	<u>1,361,902</u>	<u>-</u>

General Revenues:

Property tax levied for:
General purposes
Debt service
Capital outlay
Statewide sales, service and use tax
Income surtaxes
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues
Change in net position
Net position beginning of year, as restated
Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business Type Activities	Total
(2,062,303)	-	(2,062,303)
(505,473)	-	(505,473)
(543,446)	-	(543,446)
<u>(3,111,222)</u>	<u>-</u>	<u>(3,111,222)</u>
(65,122)	-	(65,122)
(184,270)	-	(184,270)
(692,351)	-	(692,351)
(802,621)	-	(802,621)
(330,416)	-	(330,416)
<u>(2,074,780)</u>	<u>-</u>	<u>(2,074,780)</u>
-	-	-
(171,399)	-	(171,399)
-	-	-
<u>(325,121)</u>	<u>-</u>	<u>(325,121)</u>
<u>(496,520)</u>	<u>-</u>	<u>(496,520)</u>
(5,682,522)	-	(5,682,522)
-	(8,801)	(8,801)
<u>(5,682,522)</u>	<u>(8,801)</u>	<u>(5,691,323)</u>
\$ 2,170,707	-	2,170,707
622,002	-	622,002
124,736	-	124,736
657,539	-	657,539
307,263	-	307,263
2,184,435	-	2,184,435
19,777	2,412	22,189
87,504	-	87,504
<u>6,173,963</u>	<u>2,412</u>	<u>6,176,375</u>
491,441	(6,389)	485,052
<u>5,285,804</u>	<u>5,282</u>	<u>5,291,086</u>
<u>\$ 5,777,245</u>	<u>(1,107)</u>	<u>5,776,138</u>

West Hancock Community School District
Britt, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 1,990,347	328,019	996,198	407,826	3,722,390
Receivables:					
Property tax:					
Delinquent	19,232	5,641	803	781	26,457
Succeeding year	2,122,807	574,580	91,854	137,577	2,926,818
Accounts	520		-	6,379	6,899
Accrued interest	3,803		-	9	3,812
Due from other governments	478,328	-	87,094	-	565,422
Total assets	<u>\$ 4,615,037</u>	<u>908,240</u>	<u>1,175,949</u>	<u>552,572</u>	<u>7,251,798</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 231,345	-	100,003	10,702	342,050
Salaries and benefits payable	24,165	-	-	-	24,165
Advances from grantors	4,832	-	-	-	4,832
Total liabilities	<u>260,342</u>	<u>-</u>	<u>100,003</u>	<u>10,702</u>	<u>371,047</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,122,807	574,580	91,854	137,577	2,926,818
Income surtax	310,434	-	-	-	310,434
Total deferred inflows of resources	<u>2,433,241</u>	<u>574,580</u>	<u>91,854</u>	<u>137,577</u>	<u>3,237,252</u>
Fund balances:					
Restricted for:					
Categorical funding	179,072	-	-	-	179,072
Debt service	-	333,660	218,170	-	551,830
School infrastructure	-	-	573,876	-	573,876
Physical plant and equipment	-	-	192,046	-	192,046
Student activities	-	-	-	101,256	101,256
Recreation levy purposes	-	-	-	50,107	50,107
Management levy purposes	-	-	-	252,930	252,930
Unassigned	1,742,382	-	-	-	1,742,382
Total fund balances	<u>1,921,454</u>	<u>333,660</u>	<u>984,092</u>	<u>404,293</u>	<u>3,643,499</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,615,037</u>	<u>908,240</u>	<u>1,175,949</u>	<u>552,572</u>	<u>7,251,798</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

Total fund balances of governmental funds (page 20)			\$ 3,643,499
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			9,261,105
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.			310,434
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.			(59,545)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
Deferred outflows of resources		433,350	
Deferred inflows of resources		<u>(838,104)</u>	(404,754)
Long-term liabilities, including bonds and notes payable, compensated absences and other post employment benefits payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			<u>(6,973,494)</u>
Net position of governmental activities (page 17)			<u>\$ 5,777,245</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,409,427	622,002	88,522	86,215	3,206,166
Tuition	313,858	-	-	-	313,858
Other	137,109	690	14,382	253,083	405,264
State sources	3,010,436	6,475	658,460	898	3,676,269
Federal sources	<u>342,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,022</u>
Total revenues	<u>6,212,852</u>	<u>629,167</u>	<u>761,364</u>	<u>340,196</u>	<u>7,943,579</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,827,651	-	-	30,000	2,857,651
Special	712,446	-	-	-	712,446
Other	<u>925,835</u>	<u>-</u>	<u>-</u>	<u>235,390</u>	<u>1,161,225</u>
	<u>4,465,932</u>	<u>-</u>	<u>-</u>	<u>265,390</u>	<u>4,731,322</u>
Support services:					
Student	66,149	-	-	-	66,149
Instructional staff	185,259	-	-	-	185,259
Administration	674,510	-	-	24,141	698,651
Operation and maintenance of plant	645,939	-	25,685	153,055	824,679
Transportation	<u>268,884</u>	<u>-</u>	<u>-</u>	<u>22,327</u>	<u>291,211</u>
	<u>1,840,741</u>	<u>-</u>	<u>25,685</u>	<u>199,523</u>	<u>2,065,949</u>
Other expenditures:					
Facilities acquisition	-	-	194,681	-	194,681
Long-term debt:					
Principal	-	610,000	-	-	610,000
Interest and fiscal charges	-	171,638	-	-	171,638
AEA flowthrough	<u>247,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,236</u>
	<u>247,236</u>	<u>781,638</u>	<u>194,681</u>	<u>-</u>	<u>1,223,555</u>
Total expenditures	<u>6,553,909</u>	<u>781,638</u>	<u>220,366</u>	<u>464,913</u>	<u>8,020,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(341,057)</u>	<u>(152,471)</u>	<u>540,998</u>	<u>(124,717)</u>	<u>(77,247)</u>
Other financing sources (uses):					
Operating transfers in	-	309,663	-	-	309,663
Operating transfers out	<u>-</u>	<u>-</u>	<u>(309,663)</u>	<u>-</u>	<u>(309,663)</u>
Total other financing sources (uses)	<u>-</u>	<u>309,663</u>	<u>(309,663)</u>	<u>-</u>	<u>-</u>
Change in fund balances	(341,057)	157,192	231,335	(124,717)	(77,247)
Fund balances beginning of year	\$ 2,262,511	176,468	752,757	529,010	3,720,746
Fund balances end of year	<u>\$ 1,921,454</u>	<u>333,660</u>	<u>984,092</u>	<u>404,293</u>	<u>3,643,499</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2015

Net change in fund balances - total governmental funds (page 22) \$ (77,247)

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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 351,942	
Depreciation expense	(528,873)	(176,931)

Income surtaxes and other receivables not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 18,542

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issues, as follows

Repaid	610,000	
Amortize bond discount costs	(4,043)	605,957

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. 4,282

The current year District employer share for IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 318,349

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

Compensated absences	2,999	
Pension expense	(146,993)	
Other postemployment benefits	(57,517)	(201,511)

Change in net position of governmental activities (page 19) \$ 491,441

West Hancock Community School District
Britt, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	<u>Nonmajor Enterprise Funds</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 47,977
Accounts Receivable	540
Inventories	<u>4,947</u>
Total current assets	<u>53,464</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>27,754</u>
Total noncurrent assets	<u>27,754</u>
Total assets	<u>81,218</u>
 Deferred Outflows of Resources	
Pension related deferred outflows	<u>11,041</u>
 Liabilities	
Current liabilities:	
Unearned Revenue	<u>4,692</u>
Total current liabilities	<u>4,692</u>
Noncurrent liabilities:	
Net pension liability	55,771
Net OPEB liability	<u>10,549</u>
Total noncurrent liabilities	<u>66,320</u>
Total liabilities	<u>71,012</u>
 Deferred Inflows of Resources	
Pension related deferred inflows	<u>22,354</u>
 Net Position	
Invested in capital assets	27,754
Unrestricted	<u>(28,861)</u>
Total net position	<u>\$ (1,107)</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise <u>Funds</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>119,760</u>
Operating expenses:	
Instruction:	
Regular	<u>4,440</u>
Non-instructional programs:	
Food service operations:	
Salaries	89,263
Benefits	32,619
Purchased services	3,504
Supplies	166,724
Depreciation	<u>5,832</u>
	<u>297,942</u>
Total operating expenses	<u>302,382</u>
Operating loss	<u>(182,622)</u>
Non-operating revenues:	
State sources	2,829
Federal sources	170,992
Interest income	<u>2,412</u>
Total non-operating revenues	<u>176,233</u>
Increase in net position	(6,389)
Net position beginning of year, as restated	<u>5,282</u>
Net position end of year	<u>\$ (1,107)</u>

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 114,861
Cash received from other services	\$ 4,440
Cash paid to employees for services	(128,689)
Cash paid to suppliers for goods or services	<u>(147,770)</u>
Net cash used by operating activities	<u>(157,158)</u>
Cash flows from non-capital financing activities:	
State grants received	2,829
Federal grants received	<u>148,577</u>
Net cash provided by non-capital financing activities	<u>151,406</u>
Cash flows from investing activities:	
Interest on investments	<u>2,412</u>
Net decrease in cash and cash equivalents	(3,340)
Cash and cash equivalents beginning of year	<u>51,317</u>
Cash and cash equivalents end of year	<u>\$ 47,977</u>

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

Nonmajor
Enterprise
Funds

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (182,622)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	22,415
Depreciation	5,832
(Increase) in accounts receivable	(94)
Decrease in inventories	565
(Decrease) in accounts payable	(475)
(Decrease) in unearned revenue	(365)
(Decrease) in net pension liability	(23,584)
(Increase) in deferred outflows of resources	(2,823)
Increase in deferred inflows of resources	22,354
Increase in Net OPEB liability	<u>1,639</u>
 Net cash used by operating activities	 <u>\$ (157,158)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$26,073 of federal commodities.

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

West Hancock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Britt and Kanawha, Iowa, and the predominately agricultural territory in a portion of Hancock and Wright 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 Hancock 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 to the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. West Hancock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2015

B. Basis of Presentation

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

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

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

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

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2015

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The District's proprietary funds are both non-major. Details are provided in the supplementary information of the financial report.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2015

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2015

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2015

Capital Assets – Capital assets, which include property and furniture and equipment, 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 repair 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5-15

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

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Salaries and Benefits Payable – Payroll and related expenditures for hourly employees with hours worked in June have been accrued as liabilities.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid by the General 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.

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

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

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thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$286,710 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 309,663</u>

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

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(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 162,236		-	162,236
Construction in progress	<u>-</u>	<u>194,681</u>	<u>-</u>	<u>194,681</u>
Total capital assets not being depreciated	<u>162,236</u>	<u>194,681</u>	<u>-</u>	<u>356,917</u>
Capital assets being depreciated:				
Buildings	13,035,364	-	-	13,035,364
Improvements other than buildings	427,574	25,424	-	452,998
Furniture and equipment	<u>2,496,951</u>	<u>131,837</u>	<u>-</u>	<u>2,628,788</u>
Total capital assets being depreciated	<u>15,959,889</u>	<u>157,261</u>	<u>-</u>	<u>16,117,150</u>
Less accumulated depreciation for:				
Buildings	4,472,388	310,733	-	4,783,121
Improvements other than buildings	290,876	18,260	-	309,136
Furniture and equipment	<u>1,920,825</u>	<u>199,880</u>	<u>-</u>	<u>2,120,705</u>
Total accumulated depreciation	<u>6,684,089</u>	<u>528,873</u>	<u>-</u>	<u>7,212,962</u>
Total capital assets being depreciated, net	<u>9,275,800</u>	<u>(371,612)</u>	<u>-</u>	<u>8,904,188</u>
Governmental activities capital assets, net	<u>9,438,036</u>	<u>(176,931)</u>	<u>-</u>	<u>9,261,105</u>

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Business type activities:	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and equipment	156,448	-	-	156,448
Less accumulated depreciation	<u>122,863</u>	<u>5,831</u>	-	<u>128,694</u>
Business type activities capital assets, net	<u>33,585</u>	<u>(5,831)</u>	-	<u>27,754</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 125,859
Other	3,623

Support Services:

Administration	2,055
Operation and maintenance of plant	15,218
Transportation	56,997
Unallocated	<u>325,121</u>

Total depreciation expense - governmental activities \$ 528,873

Business type activities:

Food service operations	<u>\$ 5,831</u>
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5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation					
refunding bonds	2,935,000	-	510,000	2,425,000	(1) 520,000
Revenue bonds	2,305,000	-	100,000	2,205,000	(2) 105,000
Compensated absences	11,631	8,632	11,631	8,632	8,632
Net pension liability	2,975,111	-	884,188	2,090,923	-
Net OPEB liability	<u>213,844</u>	<u>57,517</u>	-	<u>271,361</u>	-
Total	<u>8,440,586</u>	<u>66,149</u>	<u>1,505,819</u>	<u>7,000,916</u>	<u>633,632</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2015 totaled \$15,243.

(2) Bonds were sold at a discount; unamortized discount at June 30, 2015 totaled \$12,179.

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	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	79,355	-	23,584	55,771	-
Net OPEB liability	8,910	1,639	-	10,549	-
Total	\$88,265	1,639	23,584	66,320	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue May 4, 2011			
	Interest Rates	Principal	Interest	Total
2016	1.80	520,000	54,080	574,080
2017	2.05	530,000	44,720	574,720
2018	2.30	540,000	33,855	573,855
2019	2.50	555,000	21,435	576,435
2020	2.70	280,000	7,560	287,560
Total		\$ 2,425,000	161,650	2,586,650

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Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of Dec 1, 2009			
	Interest Rates	Principal	Interest	Total
2016	4.00%	105,000	101,063	206,063
2017	4.00	105,000	96,863	201,863
2018	4.50	110,000	92,288	202,288
2019	4.50	115,000	87,225	202,225
2020	4.50	125,000	81,825	206,825
2021-2025	4.50-4.75	720,000	316,675	1,036,675
2026-2030	4.75-5.00	925,000	120,417	1,045,417
Total		\$ 2,205,000	896,356	3,101,356

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,705,000 of bonds issued in December 2009. The bonds were issued for the purpose of financing a school infrastructure improvement project. 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 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,101,356. For the current year, principal and interest paid and total statewide sales, services and use tax revenues were \$205,163 and \$657,539, respectively.

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

- a) \$218,163 of the proceeds from the issuance of the revenue bonds shall be deposited to a 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) All proceeds from the Statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds fore 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.

(6) Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$326,323.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015 the District reported a liability of \$2,146,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.0541287 percent, which was an increase of 0.000931 from its proportion measured as of June 30, 2013.

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For the year ended June 30, 2015, the District recognized pension expense of \$150,914. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,330	\$ -
Changes of assumptions	94,738	-
Net difference between projected and actual earnings on pension plan investments	-	818,687
Changes in proportion and differences between District contributions and proportionate share of contributions	-	41,771
District contributions subsequent to the measurement date	326,323	-
Total	\$ 444,391	\$ 860,458

\$326,323 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (186,845)
2017	(186,845)
2018	(186,845)
2019	(186,845)
2020	4,990
Total	\$ (742,390)

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(.069)
Total	<u>100%</u>	

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

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

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 4,056,119	\$ 2,146,694	\$ 534,942

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan.

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(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 82 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 74,999
Interest on net OPEB obligation	5,569
Adjustment to annual required contribution	<u>(15,199)</u>
Annual OPEB cost	65,369
Contributions made	<u>(6,213)</u>
Increase in net OPEB obligation	59,156
Net OPEB obligation beginning of year	<u>222,754</u>
Net OPEB obligation end of year	<u>\$ 281,910</u>

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

For the year ended June 30, 2015, the District contributed \$6,213 to the medical plan. Plan members eligible for the benefits contributed \$39,370 or 86% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 53,469	21.1	\$ 169,073
2014	53,681	18.4	222,754
2015	59,156	9.5	281,910

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, 2015, the actuarial accrued liability was \$439,764 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$439,764. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,375,667 and the ratio of the UAAL to covered payroll was 13.0%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$726 per month for retirees less than age 65 and \$726 per month for retirees who have attained age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(8) Risk Management

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

(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 \$247,236 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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(10) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 25,675
Teacher Mentoring	785
Preschool program	9,531
Homeschool assistance program	1,770
Professional development – core curriculum	5,125
Professional development	5,900
Dropout prevention	60,954
Limited English proficient	43,750
Early Literacy	19,077
Market factor funds	<u>6,505</u>
Total	<u>\$ 179,072</u>

(11) Deficit Fund Balance

The Enterprise, School Nutrition Fund had a deficit net position of \$1,107 at June 30, 2015. The reason for the deficit net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 during the fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015. (See Note 12, Accounting Change/Restatement).

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No.

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68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 7,952,837	76,419
Net pension liability at June 30, 2014	(2,975,111)	(79,355)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>308,078</u>	<u>8,218</u>
Net position July 1, 2014, as restated	\$ <u>5,285,804</u>	<u>5,282</u>

(13) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the District. The Statement which might impact the District is as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for

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Notes to Financial Statements

June 30, 2015

applying fair value to certain investments and disclosures related to all fair value measurements.

The District's management has not yet determined the effect these GASB Statements will have on the Districts financial statements.

(14) Subsequent Events

Subsequent events have been evaluated through March 16, 2016 which is the date the financial statements were available to be issued.

Required Supplementary Information

West Hancock Community School District

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 3,925,288	122,172
State sources	3,676,269	2,829
Federal sources	<u>342,022</u>	<u>170,992</u>
Total revenues	<u>7,943,579</u>	<u>295,993</u>
Expenditures/Expenses:		
Instruction	4,731,322	-
Support services	2,065,949	-
Non-instructional programs	-	302,382
Other expenditures	<u>1,223,555</u>	<u>-</u>
Total expenditures/expenses	<u>8,020,826</u>	<u>302,382</u>
Excess (deficiency) of revenues over (under) expenditures	(77,247)	(6,389)
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(77,247)	(6,389)
Balances beginning of year, as restated	<u>3,720,746</u>	<u>5,282</u>
Balances end of year	<u>\$ 3,643,499</u>	<u>(1,107)</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts Original & Final</u>	<u>Final to Actual Variance</u>
4,047,460	4,684,355	(636,895)
3,679,098	3,117,624	561,474
<u>513,014</u>	<u>414,516</u>	<u>98,498</u>
<u>8,239,572</u>	<u>8,216,495</u>	<u>23,077</u>
4,731,322	5,200,000	468,678
2,065,949	2,474,500	408,551
302,382	350,000	47,618
<u>1,223,555</u>	<u>1,246,327</u>	<u>22,772</u>
<u>8,323,208</u>	<u>9,270,827</u>	<u>947,619</u>
(83,636)	(1,054,332)	970,696
<u>-</u>	<u>-</u>	<u>-</u>
(83,636)	(1,054,332)	970,696
<u>3,797,165</u>	<u>2,313,168</u>	<u>2,612,068</u>
<u>3,642,392</u>	<u>1,258,836</u>	<u>2,383,556</u>

West Hancock Community School District
Britt, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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 a GAAP basis.

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

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

West Hancock Community School District

Britt, Iowa

Schedule of District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.054129%
District's proportionate share of the net pension liability	\$ 2,147
District's covered-employee payroll	\$ 3,649
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.84%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report

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

West Hancock Community School District

Britt, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System

Last 4 Fiscal Years

(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 326	326	302	275
Contributions in relation to the statutorily required contribution	<u>(326)</u>	<u>(326)</u>	<u>(302)</u>	<u>(275)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 3,649	3,509	3,429	3,368
Contributions as a percentage of covered-employee payroll	8.93%	9.29%	8.81%	8.17%

See accompanying independent auditor's report

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

West Hancock Community School District
Britt, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25 percent to 3.0 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

West Hancock Community School District
Britt, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

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

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

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

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

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

West Hancock Community School District

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 353,917	\$353,917	0.0%	\$ 2,636,500	13.4%
2011	July 1, 2009	-	345,130	345,130	0.0%	2,760,700	12.5%
2012	July 1, 2009	-	327,510	327,510	0.0%	2,857,800	11.5%
2013	July 1, 2012	-	470,665	470,665	0.0%	3,030,500	15.1%
2014	July 1, 2012	-	457,610	457,610	0.0%	2,369,650	19.3%
2015	July 1, 2012	-	439,764	439,764	0.0%	3,375,667	13.0%

See Note 7 In the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

West Hancock Community School District
Britt, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue			
	Student	Management	Playground Equipment Recreation	
Assets	<u>Activity</u>	<u>Levy</u>	<u>Levy</u>	<u>Total</u>
Cash, cash equivalents and pooled investments	\$ 105,570	\$ 252,477	49,779	407,826
Receivables:				
Property tax:				
Delinquent	-	453	328	781
Succeeding year	-	100,000	37,577	137,577
Accounts	6,379	-	-	6,379
Accrued interest	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>
Total assets	<u>\$ 111,958</u>	<u>\$ 352,930</u>	<u>87,684</u>	<u>552,572</u>
Liabilities, Deferred Inflows of Resources And Fund Balances				
Liabilities:				
Accounts payable	\$ 10,702	-	-	10,702
Total liabilities	<u>10,702</u>	<u>-</u>	<u>-</u>	<u>10,702</u>
Deferred inflows of resources				
Unavailable revenues:				
Succeeding year property tax	<u>-</u>	<u>100,000</u>	<u>37,577</u>	<u>137,577</u>
Fund balances:				
Restricted for:				
Student activities	101,256	-	-	101,256
Recreation levy purposes	-	-	50,107	50,107
Management levy purposes	<u>-</u>	<u>252,930</u>	<u>-</u>	<u>252,930</u>
Total fund balances	<u>101,256</u>	<u>252,930</u>	<u>50,107</u>	<u>404,293</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 111,958</u>	<u>\$ 352,930</u>	<u>\$ 87,684</u>	<u>552,572</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue			
	<u>Student</u>	<u>Management</u>	<u>Playground Equipment/ Recreation</u>	<u>Total</u>
	<u>Activity</u>	<u>Levy</u>	<u>Levy</u>	
Revenues:				
Local sources:				
Local tax	\$ -	\$ 50,001	36,214	86,215
Other	251,338	1,580	165	253,083
State sources	-	521	377	898
Total revenues	251,338	52,102	36,756	340,196
Expenditures:				
Current:				
Instruction:				
Regular	-	30,000	-	30,000
Other	235,390	-	-	235,390
Support services:				
Administration	-	-	24,141	24,141
Operation and maintenance of plant	-	153,055	-	153,055
Transportation	-	22,327	-	22,327
Total expenditures	235,390	205,382	24,141	464,913
Excess (deficiency) of revenues over expenditures	15,948	(153,280)	12,615	(124,717)
Fund balances beginning of year	85,308	406,210	37,492	529,010
Fund balances end of year	\$ 101,256	\$ 252,930	50,107	404,293

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Athletics	\$ 523	69,478	68,870	-	1,131
Class of 2011	-	355	6	-	349
Class of 2012	-	-	-	-	-
Class of 2013	-	-	-	-	-
Class of 2014	2,430	-	2,430	-	-
Class of 2015	4,081	228	4,309	-	-
Class of 2016	-	39,690	31,879	-	7,811
FFA	5,342	12,925	12,159	-	6,108
FCCLA	329	299	215	-	413
SES	213	-	-	-	213
Student Council	4,837	4,046	4,797	-	4,086
Vocal Music	139	588	476	-	251
Cheerleaders	3,800	7,173	8,343	-	2,630
Band	705	375	382	-	698
Band Trip	285	-	-	-	285
Drama	3,416	759	230	-	3,945
Pep Club	504	-	-	-	504
Uniforms	6,661	19,060	20,907	-	4,814
Yearbook	757	5,210	727	-	5,240
Girls Basketball	-	-	-	-	-
Mat Maids	100	-	-	-	100
Wrestling	1,459	2,565	3,049	-	975
Weight Lifting	1,455	-	190	-	1,265
Weight Room	-	-	-	-	-
Boys Basketball	71	-	71	-	-
North Iowa Conference	7,330	5,483	4,234	-	8,579
Baseball	1,235	-	21	-	1,214
Interest	7,042	169	217	-	6,994
Bleacher Fundraiser	4,782	6,000	-	-	10,782
Speech	783	2,618	3,358	-	43

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance End of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Volleyball	2,260	35	1,732	-	563
Junior High Student Council	-	-	-	-	-
Business Club	204	-	-	-	204
Softball	454	-	454	-	-
Junior High Athletics	-	515	515	-	-
Junior High Cheerleaders	-	-	-	-	-
Junior High Interest	1,431	26	-	-	1,457
Golf Co-Ed	20	1,484	610	-	894
Renaissance	-	-	-	-	-
Junior High Student Projects	15,198	36,521	36,028	-	15,691
Junior High Music	13	1,537	773	-	777
Elementary Accelerated Reading	5,714	17,847	14,700	-	8,861
High School Student Projects	16	3,882	2,754	-	1,144
Football	1,705	6,762	5,634	-	2,833
ASAP	-	-	-	-	-
Jim Becker Memorial	-	5,310	5,310	-	-
Angels for Education	-	132	-	-	132
Swat	-	266	-	-	266
Sunshine Fund	14	-	10	-	4
Total	<u>\$ 85,308</u>	<u>251,338</u>	<u>235,390</u>	<u>-</u>	<u>101,256</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 804,955	191,243	996,198
Receivables:			
Property tax:			
Delinquent	-	803	803
Succeeding year	-	91,854	91,854
Due from other governments	<u>87,094</u>	<u>-</u>	<u>87,094</u>
Total assets	<u>\$ 892,049</u>	<u>283,900</u>	<u>1,175,949</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	<u>\$ 100,003</u>	<u>-</u>	<u>100,003</u>
Total liabilities	<u>100,003</u>	<u>-</u>	<u>100,003</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>91,854</u>	<u>91,854</u>
Fund balances:			
Restricted for:			
Debt service	218,170	-	218,170
School infrastructure	573,876	-	573,876
Physical plant and equipment	<u>-</u>	<u>192,046</u>	<u>192,046</u>
Total fund balances	<u>792,046</u>	<u>192,046</u>	<u>984,092</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 892,049</u>	<u>283,900</u>	<u>1,175,949</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	88,522	88,522
Other	2,549	11,833	14,382
State sources	<u>657,539</u>	<u>921</u>	<u>658,460</u>
Total revenues	<u>660,088</u>	<u>101,276</u>	<u>761,364</u>
 Expenditures:			
Support services:			
Operation and maintenance of plant	-	25,685	25,685
Other expenditures:			
Facilities acquisition	<u>194,681</u>	<u>-</u>	<u>194,681</u>
Total expenditures	<u>194,681</u>	<u>25,685</u>	<u>220,366</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>465,407</u>	<u>75,591</u>	<u>540,998</u>
 Other financing sources (uses):			
Operating transfers out	<u>(309,663)</u>	<u>-</u>	<u>(309,663)</u>
 Change in fund balances	155,744	75,591	231,335
Fund balances beginning of year	<u>636,302</u>	<u>116,455</u>	<u>752,757</u>
Fund balances end of year	<u>\$ 792,046</u>	<u>192,046</u>	<u>984,092</u>

See accompanying independent auditor's report.

Combining Balance Sheet
Proprietary Funds

June 30, 2015

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 47,977	-	47,977.00
Accounts Receivable	540	-	540.00
Inventories	4,947	-	4,947.00
Total current assets	<u>53,464</u>	<u>-</u>	<u>53,464.00</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	27,754	-	27,754
Total noncurrent assets	<u>27,754</u>	<u>-</u>	<u>27,754</u>
Total assets	<u>81,218</u>	<u>-</u>	<u>81,218</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>11,041</u>	<u>-</u>	<u>11,041</u>
Liabilities			
Current liabilities:			
Unearned Revenue	4,692	-	4,692
Total current liabilities	<u>4,692</u>	<u>-</u>	<u>4,692</u>
Noncurrent liabilities:			
Net pension liability	55,771	-	55,771
Net OPEB liability	10,549	-	10,549
Total noncurrent liabilities	<u>66,320</u>	<u>-</u>	<u>66,320</u>
Total liabilities	<u>71,012</u>	<u>-</u>	<u>71,012</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>22,354</u>	<u>-</u>	<u>22,354</u>
Net Position			
Invested in capital assets	27,754	-	27,754
Unrestricted	(28,861)	-	(28,861)
Total net position	<u>\$ (1,107)</u>	<u>\$ -</u>	<u>\$ (1,107)</u>

See accompanying independent auditor's report.

Combining Schedule of Revenue, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 115,320	4,440	119,760
Total operating revenues	<u>115,320</u>	<u>4,440</u>	<u>119,760</u>
 Operating expenses:			
Instruction:			
Regular	-	4,440	4,440
 Non-instructional programs:			
Salaries	89,263	-	89,263
Benefits	32,619	-	32,619
Purchased services	3,504	-	3,504
Supplies	166,724	-	166,724
Depreciation	5,832	-	5,832
	<u>297,942</u>	<u>-</u>	<u>297,942</u>
Total operating expenses	<u>297,942</u>	<u>4,440</u>	<u>302,382</u>
 Operating income (loss)	<u>(182,622)</u>	<u>-</u>	<u>(182,622)</u>
 Non-operating revenues:			
State sources	2,829	-	2,829
Federal sources	170,992	-	170,992
Interest income	2,412	-	2,412
	<u>176,233</u>	<u>-</u>	<u>176,233</u>
 Total non-operating revenues	<u>176,233</u>	<u>-</u>	<u>176,233</u>
 Increase (decrease) in net position	(6,389)	-	(6,389)
 Net position beginning of year, as restated	<u>5,282</u>	<u>-</u>	<u>5,282</u>
Net position end of year	<u>\$ (1,107)</u>	<u>-</u>	<u>(1,107)</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 8

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 114,861	-	114,861
Cash received from other services	-	4,440	4,440
Cash paid to employees for services	(124,296)	(4,393)	(128,689)
Cash paid to suppliers for goods or services	<u>(147,723)</u>	<u>(47)</u>	<u>(147,770)</u>
Net cash provided by (used by) operating activities	<u>(157,158)</u>	<u>-</u>	<u>(157,158)</u>
Cash flows from non-capital financing activities:			
State grants received	2,829	-	2,829
Federal grants received	<u>148,577</u>	<u>-</u>	<u>148,577</u>
Net cash provided by (used by) non-capital financing activities	<u>151,406</u>	<u>-</u>	<u>151,406</u>
Cash flows from investing activities:			
Interest on investments	<u>2,412</u>	<u>-</u>	<u>2,412</u>
Net increase (decrease) in cash and cash equivalents	(3,340)	-	(3,340)
Cash and cash equivalents beginning of year	<u>51,317</u>	<u>-</u>	<u>51,317</u>
Cash and cash equivalents end of year	<u>\$ 47,977</u>	<u>-</u>	<u>47,977</u>

(continued)

West Hancock Community School District
Britt, Iowa

Schedule 8

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Preschool</u>
Reconciliation of operating loss to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (182,622)	\$ -	\$ (182,622)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Commodities used	22,415	-	22,415
Depreciation	5,832	-	5,832
(Increase) decrease in accounts receivable	(94)	-	(94)
(Increase) decrease in inventories	565	-	565
Increase (decrease) in accounts payable	(475)	-	(475)
Increase (decrease) in unearned revenue	(365)	-	(365)
Increase (decrease) in net pension liability	(23,584)	-	(23,584)
(Increase) decrease in deferred outflows of resources	(2,823)	-	(2,823)
Increase (decrease) in deferred inflows of resources	22,354	-	22,354
Increase (decrease) in Net OPEB liability	1,639	-	1,639
Net cash provided by (used by) operating activities	<u>\$ (157,158)</u>	<u>\$ -</u>	<u>\$ (157,158)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$22,415 of federal commodities.

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 3,206,166	3,385,561	3,848,606	3,597,976
Tuition	313,858	332,134	319,592	302,572
Other	405,264	326,696	360,457	521,723
Intermediate sources	-	-	-	-
State sources	3,676,269	3,415,217	3,049,301	3,082,857
Federal sources	342,022	225,204	225,800	371,159
Total	<u>\$ 7,943,579</u>	<u>7,684,812</u>	<u>7,803,756</u>	<u>7,876,287</u>
Expenditures:				
Instruction:				
Regular	\$ 2,857,651	2,864,062	2,701,814	2,820,041
Special	712,446	575,464	552,747	601,056
Other	1,161,225	1,094,405	1,130,980	1,118,259
Support services:				
Student	66,149	66,050	63,791	63,074
Instructional staff	185,259	154,006	230,544	172,272
Administration	698,651	664,559	584,130	644,635
Operation and maintenance of plant	824,679	756,262	670,775	719,977
Transportation	291,211	362,539	289,067	272,663
Other support	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Community services	-	27,249	-	5,354
Facilities acquisition	194,681	116,819	161,355	516,887
Long-term debt:				
Principal	610,000	648,091	681,444	4,874,164
Interest and other charges	171,638	179,306	190,620	386,858
AEA flowthrough	247,236	248,131	242,057	241,824
Total	<u>\$ 8,020,826</u>	<u>7,756,943</u>	<u>7,499,324</u>	<u>12,437,064</u>

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
3,438,226	3,282,467	3,188,365	3,247,797	3,498,064	3,171,524
283,030	202,630	297,986	244,737	342,215	247,043
458,126	366,189	488,352	442,352	264,035	423,495
-	-	1,748	-	-	-
2,745,614	2,293,532	2,881,183	2,697,853	2,702,514	2,819,160
313,497	430,173	194,666	153,903	205,533	141,044
<u>7,238,493</u>	<u>6,574,991</u>	<u>7,052,300</u>	<u>6,786,642</u>	<u>7,012,361</u>	<u>6,802,266</u>
2,510,670	2,419,690	2,249,274	2,128,263	2,220,720	2,137,232
674,734	759,839	752,191	795,804	920,024	686,697
1,157,142	1,054,860	1,067,698	992,975	594,807	651,426
54,060	50,028	46,998	42,210	71,626	87,727
130,159	136,107	134,296	103,088	102,827	135,273
546,221	520,011	523,030	541,014	522,641	526,669
622,477	602,443	679,686	673,542	645,838	682,518
297,098	269,376	363,139	269,509	244,828	273,447
-	-	-	-	-	-
-	-	12,650	-	-	139
20,119	-	-	17,028	861	-
1,551,652	649,370	229,686	124,880	365,207	386,909
464,237	346,354	341,002	320,847	307,800	291,200
346,669	231,337	243,862	256,109	266,931	275,020
258,771	253,004	221,704	208,064	203,795	197,990
<u>8,634,009</u>	<u>7,292,419</u>	<u>6,865,216</u>	<u>6,473,333</u>	<u>6,467,905</u>	<u>6,332,247</u>

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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
West Hancock Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Hancock Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 16, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be 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 and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-15 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Hancock 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Hancock Community School District's Responses to Findings

West Hancock Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. West Hancock 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 results 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 Hancock 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 16, 2016

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

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

Response – We are doing everything we can with the limited number of staff we have.

Conclusion – Response acknowledged.

I-B-15 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to West Hancock Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

I-C-15 Disbursement Approval – For 1 of 17 disbursements tested, there was no evidence of Board approval or publication.

Recommendation – The District should ensure all expenditures are properly approved and published.

Response – This disbursement was approved by the Superintendent, but was inadvertently omitted from the bill listing presented to the Board for approval. We will insure all expenditures are properly approved in the future.

Conclusion – Response accepted.

I-D-15 Receipt Documentation – During the course of our audit, we reviewed certain receipts for back up documentation. For one significant receipt reviewed there was no documentation kept.

Recommendation – The District should maintain documentation for significant receipts.

Response – We will inform our personnel and make sure we maintain documentation for significant receipts in the future.

Conclusion – Response accepted.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

I-E-15 Federal Funds Draw Down – During the course of our audit, it was discovered funds were requested for expenses reimbursed from another source for approximately \$4400.

Recommendation – The District should review their procedures, to help ensure duplicate requests are not requested in the future.

Response – This was an oversight this year as this is a new program. We have reviewed our procedures and we will decrease the next draw down request by the duplicate request noted above.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

II-A-15 Certified Budget –Expenditures for the year ended June 30, 2015 did not exceed the certified budget amounts.

II-B-15 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-E-15 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations

II-F-15 Board Minutes – As previously noted, one disbursement requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa and were not published in the newspaper.

Recommendation – All disbursements should be approved by the Board and published.

Response – All disbursements will be approved by the Board and procedures have been revised to ensure all disbursements will be published.

Conclusion – Response accepted.

II-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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

II-I-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-15 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-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- II-L-15 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable uses 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 636,302
Revenues:		
Sales tax revenues	\$ 657,539	
Other local revenues	2,549	660,088
		1,296,390
Expenditures/transfer out:		
School infrastructure construction	156,360	
Other	38,321	
Transfer to other funds:		
Debt Service fund	309,663	504,344
Ending Balance		\$ 792,046

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-M-15 Deficit Balance – The Enterprise, School Nutrition Fund had a deficit net position at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statement No. 68 during the year.

Recommendation – The District should take steps to ensure the District’s administration and Board of Education understand this accounting change/restatement and how GASB Statement 68 will affect the District’s financials moving forward.

Response – The District’s business-type activities went into a deficit in fiscal year 2015 due to the implementation of GASB Statement 68 which required the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position.

Conclusion – Response accepted.