

WALNUT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2015

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## Walnut Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### Board of Education

Bryan Simonsen	President	2015
Tom Carroll	Vice President	2017
Shannon Griffith	Board Member	2015
Ron Hamilton	Board Member	2015
Shane Brockoff	Board Member	2017

### School Officials

Jesse Ulrich	Superintendent	2015
Teresa Griffith	Board Secretary/Business Manager (Resigned July 2014)	2015
Kelly Allen	Board Secretary/School Business Official (Appointed July 2014)	2015
Mundt, Franck & Schumacher	Attorney	2015

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**Certified Public Accountants**  
**(a professional corporation)**  
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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of  
Walnut 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 Walnut Community School District, Walnut Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Walnut 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 13 to the financial statements, Walnut Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Walnut 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 four years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report for the five years ended June 30, 2010 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2016, on our consideration of Walnut Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2016  
Newton, Iowa

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

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

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$2,279,778 in fiscal year 2014 to \$2,239,945 in fiscal year 2015, while General Fund expenditures decreased from \$2,392,614 in fiscal year 2014 to \$2,041,077 in fiscal 2015. The District's General Fund balance increased from \$205,381 at June 30, 2014 to \$404,249 at June 30, 2015.
- The decrease in General Fund revenues was mainly attributable to a decrease in state source revenues. The largest decrease in expenditures occurred in regular instruction.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

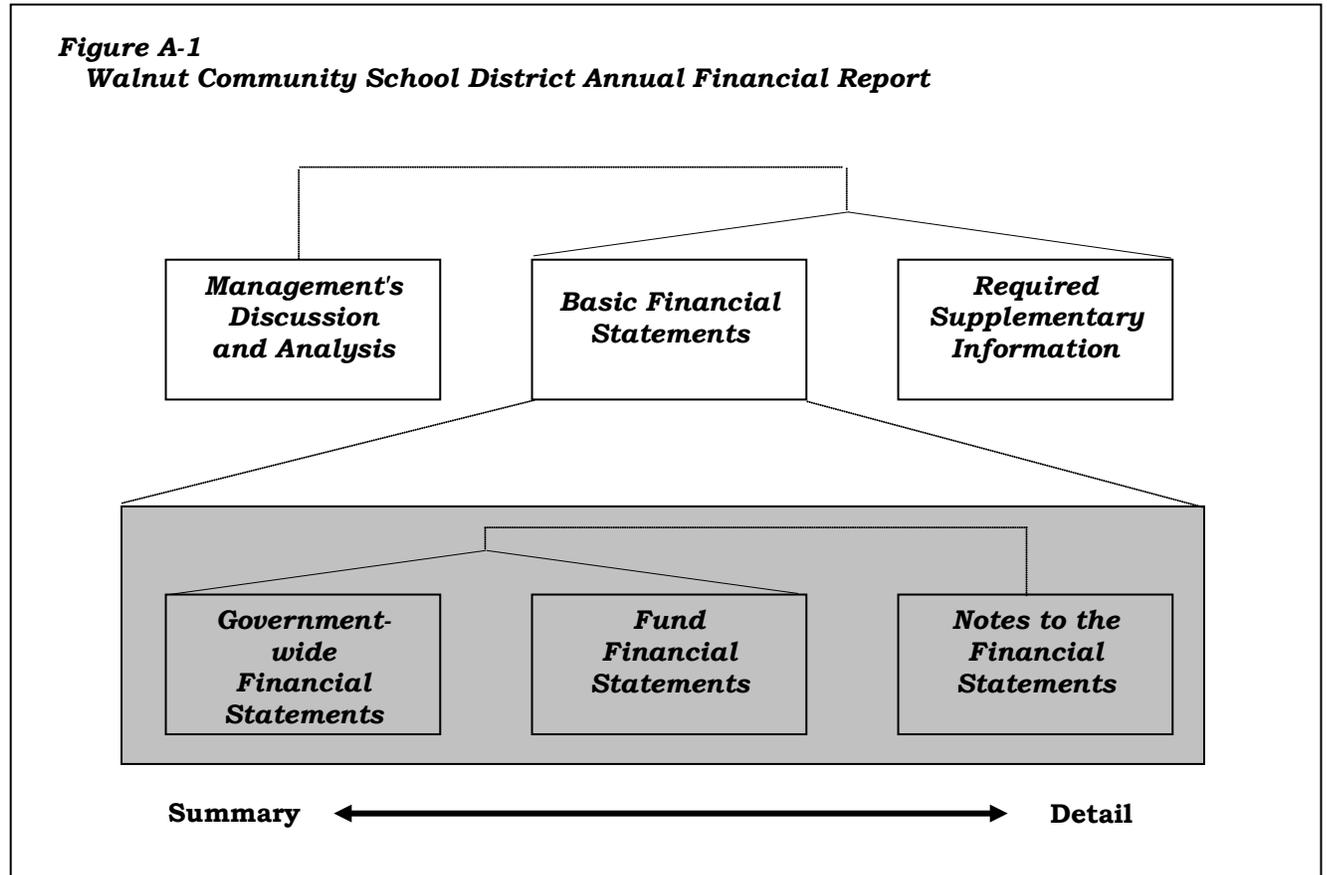


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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 service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of 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 is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private Purpose Trust Fund - This fund is used to account for outside donations for scholarships for individual students.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	2014-15
Current and other assets	\$ 4,199,227	3,359,486	1,788	1,659	4,201,015	3,361,145	24.99%
Capital assets	1,856,011	1,922,114	2,167	2,566	1,858,178	1,924,680	-3.46%
Total assets	6,055,238	5,281,600	3,955	4,225	6,059,193	5,285,825	14.63%
Deferred outflows of resources	101,771	1,895,720	2,736	-	104,507	1,895,720	-94.49%
Long-term liabilities	910,066	160,521	15,467	3,070	925,533	163,591	465.76%
Other liabilities	392,304	260,126	40,671	31,785	432,975	291,911	48.32%
Total liabilities	1,302,370	420,647	56,138	34,855	1,358,508	455,502	198.24%
Deferred inflows of resources	2,397,718	1,895,720	6,311	-	2,404,029	1,895,720	26.81%
Net position:							
Net investment in capital assets	1,760,787	1,810,201	2,167	2,566	1,762,954	1,812,767	-2.75%
Restricted	1,208,362	1,118,657	-	-	1,208,362	1,118,657	8.02%
Unrestricted	(512,228)	36,375	(57,925)	(33,196)	(570,153)	3,179	-18034.98%
Total net position	\$ 2,456,921	2,965,233	(55,758)	(30,630)	2,401,163	2,934,603	-18.18%

The District's combined net position decreased by 18.18%, or \$533,440, from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$89,705, or 8.02% from the prior year. The increase in restricted net position is due in part to the increase in the Capital Projects: Physical Plant and Equipment Levy Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$573,332. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$883,508 and \$16,837, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4								
Changes in Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	2014-15
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)		
Revenues:								
Program revenues:								
Charges for service	\$ 62,654	38,643	22,936	25,733	85,590	64,376		32.95%
Operating grants, contributions and restricted interest	257,372	229,377	30,380	33,610	287,752	262,987		9.42%
General revenues:								
Property tax	1,895,603	1,548,185	-	-	1,895,603	1,548,185		22.44%
Income surtax	106,607	20,754	-	-	106,607	20,754		413.67%
Statewide sales, services and use tax	156,014	166,204	-	-	156,014	166,204		-6.13%
Unrestricted state grants	333,227	536,417	-	-	333,227	536,417		-37.88%
Unrestricted investment earnings	562	491	-	-	562	491		14.46%
Other	23,710	51,221	110	-	23,820	51,221		-53.50%
Total revenues	<u>2,835,749</u>	<u>2,591,292</u>	<u>53,426</u>	<u>59,343</u>	<u>2,889,175</u>	<u>2,650,635</u>		<u>9.00%</u>
Program expenses:								
Instruction	1,684,921	1,660,828	-	-	1,684,921	1,660,828		1.45%
Support services	637,210	811,590	2,419	3,922	639,629	815,512		-21.57%
Non-instructional programs	-	-	59,298	89,914	59,298	89,914		-34.05%
Other expenses	138,422	162,761	-	-	138,422	162,761		-14.95%
Total expenses	<u>2,460,553</u>	<u>2,635,179</u>	<u>61,717</u>	<u>93,836</u>	<u>2,522,270</u>	<u>2,729,015</u>		<u>-7.58%</u>
Excess(Deficiency) of revenues over(under) expenditures	375,196	(43,887)	(8,291)	(34,493)	366,905	(78,380)		568.11%
Transfers	-	(64,690)	-	64,690	-	-		0.00%
Change in net position	375,196	(108,577)	(8,291)	30,197	366,905	(78,380)		-568.11%
Net position beginning of year, as restated	<u>2,081,725</u>	<u>3,073,810</u>	<u>(47,467)</u>	<u>(60,827)</u>	<u>2,034,258</u>	<u>3,012,983</u>		<u>-32.48%</u>
Net position end of year	<u>\$ 2,456,921</u>	<u>2,965,233</u>	<u>(55,758)</u>	<u>(30,630)</u>	<u>2,401,163</u>	<u>2,934,603</u>		<u>-18.18%</u>

During fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 87.86% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$2.89 million, of which approximately \$2.84 million was for governmental activities and approximately \$0.05 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.00% increase in revenues and a 7.58% decrease in expenses. Property tax revenues increased \$347,418 compared to the prior year leading to the increase in revenues. The decrease in expenses occurred primarily in the support services functional area.

### Governmental Activities

Revenues for governmental activities were \$2,835,749 and expenses were \$2,460,553 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and non-instructional programs, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
	\$					
Instruction	1,684,921	1,660,828	1.45%	1,455,552	1,471,910	-1.11%
Support services	637,210	811,590	-21.49%	622,713	811,021	-23.22%
Other expenses	138,422	162,761	-14.95%	62,262	84,228	-26.08%
Totals	<u>\$ 2,460,553</u>	<u>2,635,179</u>	<u>-6.63%</u>	<u>2,140,527</u>	<u>2,367,159</u>	<u>-9.57%</u>

- The cost financed by users of the District's programs was \$62,654.
- Federal and state governments along with local and intermediate sources subsidized certain programs with grants and contributions totaling \$257,372.
- The net cost of governmental activities was financed with \$1,895,603 in property tax, \$106,607 in income surtax, \$156,014 in statewide sales, services and use tax, \$333,227 in unrestricted state grants, \$562 in interest income and \$23,710 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$53,426 and expenses were \$61,717. The District's business type activities include the School Nutrition Fund. Revenues of these activities were mostly comprised of charges for service and federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,640,066, above last year's ending fund balances of \$1,186,343. The increase in combined fund balances is primarily a result of the increase in fund balance for the Capital Projects Fund.

### Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local tax revenues helped to limit the overall decrease in revenues and the District

was able to trim General Fund expenditures compared to the prior year. Revenues outpaced expenditures resulting in a \$198,868, or 96.83% increase in fund balance from \$205,381 at June 30, 2014 to \$404,249 at June 30, 2015.

- The Capital Projects Fund balance increased from \$777,420 at June 30, 2014 to \$1,003,390 at June 30, 2015. Expenditures decreased 57.60% compared to the prior year which lead to the improvement in fund balance.

### Proprietary Fund Highlights

- The School Nutrition Fund net position decreased from deficit \$47,467, restated as of July 1, 2014 to deficit \$55,758 at June 30, 2015, representing a decrease of 17.47%. The District was able to trim expenses by 34.23%, however, revenues also declined 9.97% leading to the overall decline in net position.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$104,341 less than budgeted revenues, a variance of 2.38%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2015, the District had invested \$1,858,178, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.46% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$99,894.

The original cost of the District's capital assets was \$5,698,590. Governmental funds account for \$5,658,077 with the remainder of \$40,513 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,539,349 at June 30, 2015, compared to \$1,592,497 reported at June 30, 2014. This decrease was the result of depreciation expense applied during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 40,125	40,125	-	-	40,125	40,125	0.00%
Buildings	1,539,349	1,592,497	-	-	1,539,349	1,592,497	-3.34%
Land improvements	95,044	101,648	-	-	95,044	101,648	-6.50%
Machinery and equipment	181,493	187,844	2,167	2,566	183,660	190,410	-3.54%
Total	\$ 1,856,011	1,922,114	2,167	2,566	1,858,178	1,924,680	-3.46%

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## Long-Term Debt

At June 30, 2015, the District had \$925,533 of total long-term debt outstanding. This represents an increase of 465.76% from prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding bus lease indebtedness of \$95,224 at June 30, 2015, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had outstanding termination benefits of \$145,328 at June 30, 2015, payable from the Management Levy Fund.

The District had total net OPEB liability of \$65,301 at June 30, 2015. Governmental activities accounted for \$61,422 while business type activities accounted for \$3,879.

The District had total net pension liability of \$619,680 at June 30, 2015. Governmental activities accounted for \$608,092 while business type activities accounted for \$11,588.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Bus lease	\$ 95,224	111,913	-	-	95,224	111,913	-14.91%
Termination benefits	145,328	-	-	-	145,328	-	100.00%
Net OPEB liability	61,422	48,608	3,879	3,070	65,301	51,678	26.36%
Net pension liability	608,092	-	11,588	-	619,680	-	100.00%
Totals	\$ 910,066	160,521	15,467	3,070	925,533	163,591	465.76%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelly Allen, Board Secretary/School Business Official, Walnut Community School District, 415 Antique City Drive, Walnut, Iowa, 51577.

# **Walnut Community School District**

# **Basic Financial Statements**

WALNUT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,899,185	-	1,899,185
Receivables:			
Property tax:			
Delinquent	16,743	-	16,743
Succeeding year	2,066,537	-	2,066,537
Income surtax	101,189	-	101,189
Due from other funds	36,360	-	36,360
Due from other governments	79,213	-	79,213
Inventories	-	1,788	1,788
Capital assets, net of accumulated depreciation	1,856,011	2,167	1,858,178
<b>Total assets</b>	<b>6,055,238</b>	<b>3,955</b>	<b>6,059,193</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	101,771	2,736	104,507
<b>Liabilities</b>			
Due to other funds	-	36,360	36,360
Accounts payable	290,174	705	290,879
Salaries and benefits payable	101,261	3,172	104,433
Unearned revenue	-	434	434
Accrued interest payable	869	-	869
Long-term liabilities:			
Portion due in one year:			
Bus lease	17,086	-	17,086
Termination benefits	145,328	-	145,328
Portion due after one year:			
Bus lease	78,138	-	78,138
Net pension liability	608,092	11,588	619,680
Net OPEB liability	61,422	3,879	65,301
<b>Total liabilities</b>	<b>1,302,370</b>	<b>56,138</b>	<b>1,358,508</b>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	331,181	6,311	337,492
Unavailable property tax revenue	2,066,537	-	2,066,537
<b>Total deferred inflows of resources</b>	<b>2,397,718</b>	<b>6,311</b>	<b>2,404,029</b>
<b>Net Position</b>			
Net investment in capital assets	1,760,787	2,167	1,762,954
Restricted for:			
Categorical funding	117,142	-	117,142
School infrastructure	747,244	-	747,244
Physical plant and equipment	256,146	-	256,146
Management levy purposes	68,522	-	68,522
Student activities	19,308	-	19,308
Unrestricted	(512,228)	(57,925)	(570,153)
<b>Total net position</b>	<b>\$ 2,456,921</b>	<b>(55,758)</b>	<b>2,401,163</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 1,283,534	16,344	104,458		(1,162,732)	-	(1,162,732)
Special	240,492	31,673	7,436		(201,383)	-	(201,383)
Other	160,895	1,232	68,226		(91,437)	-	(91,437)
	<u>1,684,921</u>	<u>49,249</u>	<u>180,120</u>		<u>(1,455,552)</u>	<u>-</u>	<u>(1,455,552)</u>
Support services:							
Student	18,309	13,405	-		(4,904)	-	(4,904)
Instructional staff	61,432	-	-		(61,432)	-	(61,432)
Administration	201,093	-	-		(201,093)	-	(201,093)
Operation and maintenance of plant	260,226	-	-		(260,226)	-	(260,226)
Transportation	96,150	-	1,092		(95,058)	-	(95,058)
	<u>637,210</u>	<u>13,405</u>	<u>1,092</u>		<u>(622,713)</u>	<u>-</u>	<u>(622,713)</u>
Long-term debt interest	2,510	-	-		(2,510)	-	(2,510)
Other expenses:							
AEA flowthrough	76,160	-	76,160		-	-	-
Depreciation(unallocated)*	59,752	-	-		(59,752)	-	(59,752)
	<u>135,912</u>	<u>-</u>	<u>76,160</u>		<u>(59,752)</u>	<u>-</u>	<u>(59,752)</u>
Total governmental activities	<u>2,460,553</u>	<u>62,654</u>	<u>257,372</u>		<u>(2,140,527)</u>	<u>-</u>	<u>(2,140,527)</u>
Business type activities:							
Support services:							
Administration	2,419	-	-		-	(2,419)	(2,419)
Non-instructional programs:							
Food service operations	59,298	22,936	30,380		-	(5,982)	(5,982)
Total business type activities	<u>61,717</u>	<u>22,936</u>	<u>30,380</u>		<u>-</u>	<u>(8,401)</u>	<u>(8,401)</u>
Total	<u>\$ 2,522,270</u>	<u>85,590</u>	<u>287,752</u>		<u>(2,140,527)</u>	<u>(8,401)</u>	<u>(2,148,928)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 1,621,207	-	1,621,207	
Capital outlay				274,396	-	274,396	
Income surtax				106,607	-	106,607	
Statewide sales, services and use tax				156,014	-	156,014	
Unrestricted state grants				333,227	-	333,227	
Unrestricted investment earnings				562	-	562	
Other general revenues				23,710	110	23,820	
Total general revenues				<u>2,515,723</u>	<u>110</u>	<u>2,515,833</u>	
Change in net position				375,196	(8,291)	366,905	
Net position beginning of year, as restated				<u>2,081,725</u>	<u>(47,467)</u>	<u>2,034,258</u>	
Net position end of year				<u>\$ 2,456,921</u>	<u>(55,758)</u>	<u>2,401,163</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 682,504	984,901	231,780	1,899,185
Receivables:				
Property tax:				
Delinquent	13,367	2,729	647	16,743
Succeeding year	1,637,233	294,304	135,000	2,066,537
Income surtax	101,189	-	-	101,189
Due from other funds	36,360	-	-	36,360
Due from other governments	55,355	23,858	-	79,213
<b>Total assets</b>	<b>\$ 2,526,008</b>	<b>1,305,792</b>	<b>367,427</b>	<b>4,199,227</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 282,076	8,098	-	290,174
Salaries and benefits payable	101,261	-	-	101,261
Total liabilities	383,337	8,098	-	391,435
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,637,233	294,304	135,000	2,066,537
Income surtax	101,189	-	-	101,189
Total deferred inflows of resources	1,738,422	294,304	135,000	2,167,726
Fund balances:				
Restricted for:				
Categorical funding	117,142	-	-	117,142
School infrastructure	-	747,244	-	747,244
Physical plant and equipment	-	256,146	-	256,146
Management levy purposes	-	-	213,850	213,850
Student activities	-	-	19,308	19,308
Unassigned:				
General	287,107	-	-	287,107
Student activities	-	-	(731)	(731)
Total fund balances	404,249	1,003,390	232,427	1,640,066
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,526,008</b>	<b>1,305,792</b>	<b>367,427</b>	<b>4,199,227</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

<b>Total fund balances of governmental funds(page 20)</b>			\$ 1,640,066
<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.			1,856,011
Accounts receivable income surtax, are not yet available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.			101,189
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.			(869)
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	\$ 101,771		
Deferred inflows of resources	<u>(331,181)</u>	(229,410)	
Long-term liabilities, including bus leases payable, termination benefits payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.			<u>(910,066)</u>
<b>Net position of governmental activities(page 18)</b>			<u><u>\$ 2,456,921</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,570,042	274,396	74,902	1,919,340
Tuition	44,098	-	-	44,098
Other	87,914	193	6,101	94,208
Intermediate sources	2,752	-	-	2,752
State sources	447,270	159,382	1,562	608,214
Federal sources	84,267	-	-	84,267
Total revenues	<u>2,236,343</u>	<u>433,971</u>	<u>82,565</u>	<u>2,752,879</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,073,974	79,494	-	1,153,468
Special	235,940	-	-	235,940
Other	166,490	-	900	167,390
	<u>1,476,404</u>	<u>79,494</u>	<u>900</u>	<u>1,556,798</u>
Support services:				
Student	18,366	-	-	18,366
Instructional staff	34,540	29,914	20	64,474
Administration	214,965	8,269	-	223,234
Operation and maintenance of plant	139,144	72,197	52,760	264,101
Transportation	81,498	17,800	-	99,298
	<u>488,513</u>	<u>128,180</u>	<u>52,780</u>	<u>669,473</u>
Capital outlay	-	12,475	-	12,475
Long-term debt:				
Principal	-	-	16,689	16,689
Interest and fiscal charges	-	-	2,663	2,663
	<u>-</u>	<u>-</u>	<u>19,352</u>	<u>19,352</u>
Other expenditures:				
AEA flowthrough	76,160	-	-	76,160
Total expenditures	<u>2,041,077</u>	<u>220,149</u>	<u>73,032</u>	<u>2,334,258</u>
Excess of revenues over expenditures	195,266	213,822	9,533	418,621
Other financing sources(uses):				
Transfer in	-	-	19,352	19,352
Transfer out	-	(19,352)	-	(19,352)
Insurance proceeds	3,602	-	-	3,602
Proceeds from sale of equipment	-	31,500	-	31,500
Total other financing sources(uses)	<u>3,602</u>	<u>12,148</u>	<u>19,352</u>	<u>35,102</u>
Change in fund balances	198,868	225,970	28,885	453,723
Fund balances beginning of year	<u>205,381</u>	<u>777,420</u>	<u>203,542</u>	<u>1,186,343</u>
Fund balances end of year	<u>\$ 404,249</u>	<u>1,003,390</u>	<u>232,427</u>	<u>1,640,066</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds(page 22)** \$ 453,723

*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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Capital outlay	\$ 33,392	
Depreciation expense	<u>(99,495)</u>	(66,103)

Income surtax accounts receivable is not available to finance expenditures of the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds. 82,870

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. 16,689

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 153

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net position. 68,325

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

Termination benefits	(145,328)	
Pension expense	(22,319)	
Other postemployment benefits	<u>(12,814)</u>	<u>(180,461)</u>

**Change in net position of governmental activities(page 19)** \$ 375,196

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	Enterprise School Nutrition
<b>Assets</b>	
Current assets:	
Inventories	\$ 1,788
Noncurrent assets:	
Capital assets, net of accumulated depreciation	2,167
<b>Total assets</b>	3,955
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	2,736
<b>Liabilities</b>	
Current liabilities:	
Due to other funds	36,360
Accounts payable	705
Salaries and benefits payable	3,172
Unearned revenue	434
	40,671
Noncurrent liabilities:	
Net pension liability	11,588
Net OPEB liability	3,879
	15,467
<b>Total liabilities</b>	56,138
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	6,311
<b>Net Position</b>	
Net investment in capital assets	2,167
Unrestricted	(57,925)
<b>Total net position</b>	\$ (55,758)

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	Enterprise
	School
	Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 22,936
Miscellaneous	110
Total operating revenues	23,046
Operating expenses:	
Support services	
Administration:	
Salaries	1,890
Benefits	295
Services	234
	2,419
Non-instructional programs:	
Food service operations:	
Salaries	23,196
Benefits	7,380
Services	550
Supplies	27,773
Depreciation	399
	59,298
Total operating expenses	61,717
Operating loss	(38,671)
Non-operating revenues:	
State sources	421
Federal sources	29,959
Total non-operating revenues	30,380
Change in net position	(8,291)
Net position beginning of year, as restated	(47,467)
Net position end of year	\$ (55,758)

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Enterprise</u>
	<u>School</u>
	<u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 23,552
Cash received from miscellaneous	110
Cash payments to employees for services	(35,389)
Cash payments to suppliers for goods or services	<u>(24,686)</u>
Net cash used in operating activities	<u>(36,413)</u>
Cash flows from non-capital financing activities:	
Net borrowings from (repayments to) the General Fund	9,523
State grants received	421
Federal grants received	<u>26,469</u>
Net cash provided by non-capital financing activities	<u>36,413</u>
Net change in cash and pooled investments	-
Cash and pooled investments beginning of year	<u>-</u>
Cash and pooled investments end of year	<u>\$ -</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (38,671)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	3,490
Depreciation	399
Increase in inventories	(311)
Decrease in accounts receivable	182
Increase in accounts payable	692
Decrease in salaries and benefits payable	(1,763)
Increase in unearned revenue	434
Increase in other postemployment benefits	809
Decrease in net pension liability	(6,956)
Increase in deferred outflows of resources	(1,029)
Increase in deferred inflows of resources	6,311
Net cash used in operating activities	<u>\$ (36,413)</u>

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

During the year ended June 30, 2015, the District received \$3,490 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 866</u>
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Held in trust for scholarships	<u>\$ 866</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 1,500</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,900</u>
Change in net position	(400)
Net position beginning of year	<u>1,266</u>
Net position end of year	<u><u>\$ 866</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

The Walnut Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors a daycare program for residents of the District. The geographic area served includes the City of Walnut, Iowa, and the predominate agricultural territory in Pottawattamie, Shelby and Cass Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

The District also reports the following nonmajor proprietary funds:

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

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

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

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

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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

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

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balance of most District funds are pooled and invested. Investments are stated at fair value.

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The Enterprise Fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	5-25 years
Intangibles	5-20 years
Machinery and equipment	3-20 years

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

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2015, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2015.

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from

IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied 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 imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

**E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**Note 2. Cash 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; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2015, the District had no investments.

**Note 3. Due From and Due to Other Funds**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	School Nutrition	<u>\$ 36,360</u>

The School Nutrition Fund is repaying the General Fund for salaries and benefits paid.

**Note 4. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>\$ 19,352</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's bus lease indebtedness.

**Note 5. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 40,125	-	-	40,125
Total capital assets not being depreciated	<u>40,125</u>	-	-	<u>40,125</u>
Capital assets being depreciated:				
Buildings	4,464,397	-	-	4,464,397
Land improvements	132,071	-	-	132,071
Machinery and equipment	988,092	33,392	-	1,021,484
Total capital assets being depreciated	<u>5,584,560</u>	<u>33,392</u>	-	<u>5,617,952</u>
Less accumulated depreciation for:				
Buildings	2,871,900	53,148	-	2,925,048
Land improvements	30,423	6,604	-	37,027
Machinery and equipment	800,248	39,743	-	839,991
Total accumulated depreciation	<u>3,702,571</u>	<u>99,495</u>	-	<u>3,802,066</u>
Total capital assets being depreciated, net	<u>1,881,989</u>	<u>(66,103)</u>	-	<u>1,815,886</u>
Governmental activities capital assets, net	<u>\$ 1,922,114</u>	<u>(66,103)</u>	-	<u>1,856,011</u>
<b>Business type activities:</b>				
Machinery and equipment	40,513	-	-	40,513
Less accumulated depreciation	37,947	399	-	38,346
Business type activities capital assets, net	<u>\$ 2,566</u>	<u>(399)</u>	-	<u>2,167</u>

Depreciation expense was charged by the District as follows:

<b>Governmental activities:</b>	
Instruction:	
Regular	\$ 6,225
Other	241
Support services:	
Operation and maintenance of plant	557
Transportation	<u>32,720</u>
	39,743
Unallocated depreciation	<u>59,752</u>
Total governmental activities depreciation expense	<u>\$ 99,495</u>
<b>Business type activities:</b>	
Food service operations	<u>\$ 399</u>

**Note 6. Long-Term Debt**

A summary of changes in long-term debt for business type activities and governmental activities for the year ended June 30, 2015 are as follows:

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Bus leases	\$ 111,913	-	16,689	95,224	17,086
Termination benefits	-	145,328	-	145,328	145,328
Net OPEB liability	48,608	12,814	-	61,422	-
Net pension liability	973,105	-	365,013	608,092	-
	<u>\$ 1,133,626</u>	<u>158,142</u>	<u>381,702</u>	<u>910,066</u>	<u>162,414</u>
<b>Business type activities:</b>					
Net OPEB liability	\$ 3,070	809	-	3,879	-
Net pension liability	18,544	-	6,956	11,588	-
	<u>\$ 21,614</u>	<u>809</u>	<u>6,956</u>	<u>15,467</u>	<u>-</u>

**Bus Lease**

Details of the District's June 30, 2015 bus lease indebtedness payable from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	Bus Lease February 2014			Bus Lease February 2014			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	2.38%	\$ 8,536	877	2.38%	\$ 8,550	1,389	17,086	2,266	19,352
2017	2.38	28,324	676	2.38	49,814	1,186	78,138	1,862	80,000
		<u>\$ 36,860</u>	<u>1,553</u>		<u>\$ 58,364</u>	<u>2,575</u>	<u>95,224</u>	<u>4,128</u>	<u>99,352</u>

**Termination Benefits (Early Retirement)**

The District offered a voluntary early retirement plan to its certified employees during fiscal year 2015. Eligible employees had to be at least age fifty-five and completed six years of continuous service to the District. Employees were required to submit an application for the early retirement program on or before January 30, 2015 that was subject to approval by the Board of Education. Early retirement benefits equal a one-time cash payment of \$45,000 all payable on the first payroll date following July 1, 2015. At June 30, 2015, the District had obligations to three participants with a total liability of \$145,328.

**Note 7. Pension Plan**

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$46,923.

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 \$619,680 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 0.015312 percent, which was a decrease of 0.002202 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$22,744. 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	\$ 6,735	\$ -
Changes of assumptions	27,348	-
Net difference between projected and actual earnings on pension plan investments	-	236,328
Changes in proportion and differences between District contributions and proportionate share of contributions	-	101,164
District contributions subsequent to the measurement date	46,923	-
<b>Total</b>	<b>\$ 81,006</b>	<b>\$ 337,492</b>

\$46,923 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	\$ (74,755)
2017	(74,755)
2018	(74,755)
2019	(74,755)
2020	(4,389)
	<u>\$ (303,409)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 1,170,868	\$ 619,680	\$ 154,420

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$6,789 for legally required employer contributions and \$4,523 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 8. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 18 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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	\$ 14,829
Interest on net OPEB obligation	1,292
Adjustment to annual required contribution	<u>(2,498)</u>
Annual OPEB cost	13,623
Contributions made	<u>-</u>
Increase in net OPEB obligation	13,623
Net OPEB obligation beginning of year	<u>51,678</u>
Net OPEB obligation end of year	<u><u>\$ 65,301</u></u>

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

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	\$ 11,906	0.00%	\$ 39,297
2014	12,381	0.00	51,678
2015	13,623	0.00	65,301

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$76,571 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$76,571. The covered payroll (annual payroll of active employees covered by the plan) was \$584,588, and the ratio of the UAAL to covered payroll was 13.1%. 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes

to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

Post age 65 expected claims cost are assumed to equal retiree contributions. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 9. Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa.

The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2015 were \$123,379.

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

#### **Note 10. 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 \$76,160 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 11. Deficit Unrestricted Net Position/Fund Balance**

The District had a deficit unrestricted net position of \$512,228 in its governmental activities and the Enterprise, School Nutrition Fund had a deficit unrestricted net position of \$57,925 and a deficit total net position of \$55,758 at June 30, 2015. The Student Activity Fund had three accounts with a combined deficit unassigned fund balance of \$731 at June 30, 2015.

**Note 12. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 2,837
Gifted and talented programs	13,711
Returning dropouts and dropout prevention programs	34,308
Four-year-old preschool state aid	11,258
Beginning teacher mentoring and induction program	3,045
Teacher salary supplement	15,639
Empowerment professional development grant	800
Successful progression for early readers	13,196
Professional development	13,532
Profession development for model core curriculum	2,739
Market factor incentives	371
Teacher leadership grants	5,706
Total	<u>\$ 117,142</u>

**Note 13. Accounting Change/Restatement Note**

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 2,965,233	\$ (30,630)
Net pension liability at June 30, 2014	(973,105)	(18,544)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	89,597	1,707
Net position July 1, 2014, as restated	<u>\$ 2,081,725</u>	<u>\$ (47,467)</u>

**Note 14. Detailed Reconciliation of Governmental Fund Balances to Net Position**

Detailed reconciliation of certain governmental fund balances to net position is as follows:

	<u>Net Investment in Capital Assets</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	213,850	287,107
Capital assets, net of accumulated depreciation	1,856,011	-	-
Bus lease capitalized indebtedness	(95,224)	-	-
Termination benefits	-	(145,328)	-
Income surtax	-	-	101,189
Accrued interest payable	-	-	(869)
Net OPEB liability	-	-	(61,422)
Net pension liability	-	-	(608,092)
Pension related deferred outflows	-	-	101,771
Pension related deferred inflows	-	-	(331,181)
Unassigned for student activities	-	-	(731)
Net position (Exhibit A)	<u>\$ 1,760,787</u>	<u>68,522</u>	<u>(512,228)</u>

## **Required Supplementary Information**

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 2,057,646	23,046	2,080,692	2,309,662	2,309,662	(228,970)
Intermediate sources	2,752	-	2,752	3,772	3,772	(1,020)
State sources	608,214	421	608,635	457,485	457,485	151,150
Federal sources	84,267	29,959	114,226	139,727	139,727	(25,501)
Total revenues	<u>2,752,879</u>	<u>53,426</u>	<u>2,806,305</u>	<u>2,910,646</u>	<u>2,910,646</u>	<u>(104,341)</u>
Expenditures/Expenses:						
Instruction	1,556,798	-	1,556,798	1,771,697	1,771,697	214,899
Support services	669,473	2,419	671,892	1,002,170	1,002,170	330,278
Non-instructional programs	-	59,298	59,298	103,178	103,178	43,880
Other expenditures	107,987	-	107,987	141,852	141,852	33,865
Total expenditures/expenses	<u>2,334,258</u>	<u>61,717</u>	<u>2,395,975</u>	<u>3,018,897</u>	<u>3,018,897</u>	<u>622,922</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	418,621	(8,291)	410,330	(108,251)	(108,251)	518,581
Other financing sources, net	35,102	-	35,102	-	-	35,102
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	453,723	(8,291)	445,432	(108,251)	(108,251)	553,683
Balances beginning of year, as restated	1,186,343	(47,467)	1,138,876	1,089,383	1,089,383	49,493
Balances end of year	<u>\$ 1,640,066</u>	<u>(55,758)</u>	<u>1,584,308</u>	<u>981,132</u>	<u>981,132</u>	<u>603,176</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

WALNUT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.015312%
District's proportionate share of the net pension liability	\$ 619,680
District's covered-employee payroll	\$ 788,619
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	78.58%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**WALNUT COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEAR\***  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 70,424	90,866	97,996	91,625	66,929	81,713	77,786	70,764	64,905	63,328
Contributions in relation to the statutorily required contribution	<u>(70,424)</u>	<u>(90,866)</u>	<u>(97,996)</u>	<u>(91,625)</u>	<u>(66,929)</u>	<u>(81,713)</u>	<u>(77,786)</u>	<u>(70,764)</u>	<u>(64,905)</u>	<u>(63,328)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 788,619	1,017,536	1,130,288	1,135,378	963,007	1,175,727	1,224,976	1,169,653	1,128,783	1,101,357
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

**Changes of benefit terms:**

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

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

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

**Changes of assumptions:**

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

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

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

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

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

WALNUT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

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.

WALNUT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015

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	-	\$ 84,995	84,995	0.0%	\$ 1,100,000	7.7%
2011	July 1, 2009	-	81,649	81,649	0.0	1,115,190	7.3
2012	July 1, 2009	-	81,649	81,649	0.0	1,140,225	7.2
2013	July 1, 2012	-	75,553	75,553	0.0	1,166,404	6.5
2014	July 1, 2012	-	77,085	77,085	0.0	736,650	10.5
2015	July 1, 2012	-	76,571	76,571	0.0	584,588	13.1

See Note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

WALNUT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 213,203	18,577	231,780
Receivables:			
Property tax:			
Delinquent	647	-	647
Succeeding year	135,000	-	135,000
<b>Total assets</b>	<b>\$ 348,850</b>	<b>18,577</b>	<b>367,427</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	135,000	-	135,000
Fund balances:			
Restricted for:			
Management levy purposes	213,850	-	213,850
Student activities	-	19,308	19,308
Unassigned	-	(731)	(731)
Total fund balances	213,850	18,577	232,427
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 348,850</b>	<b>18,577</b>	<b>367,427</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 74,902	-	-	74,902
Other	5,164	937	-	6,101
State sources	1,562	-	-	1,562
Total revenues	<u>81,628</u>	<u>937</u>	<u>-</u>	<u>82,565</u>
Expenditures:				
Current:				
Instruction:				
Other	-	900	-	900
Support services:				
Instructional staff	20	-	-	20
Operation and maintenance of plant	52,760	-	-	52,760
Long-term debt:				
Principal	-	-	16,689	16,689
Interest and fiscal charges	-	-	2,663	2,663
Total expenditures	<u>52,780</u>	<u>900</u>	<u>19,352</u>	<u>73,032</u>
Excesss(Deficiency) of revenues over(under) expenditures	28,848	37	(19,352)	9,533
Other financing sources:				
Transfer in	-	-	19,352	19,352
Change in fund balances	28,848	37	-	28,885
Fund balances beginning of year	<u>185,002</u>	<u>18,540</u>	<u>-</u>	<u>203,542</u>
Fund balances end of year	<u>\$ 213,850</u>	<u>18,577</u>	<u>-</u>	<u>232,427</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 731,484	253,417	984,901
Receivables:			
Property tax:			
Delinquent	-	2,729	2,729
Succeeding year	-	294,304	294,304
Due from other governments	23,858	-	23,858
<b>Total assets</b>	<b>\$ 755,342</b>	<b>550,450</b>	<b>1,305,792</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 8,098	-	8,098
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	294,304	294,304
Fund balances:			
Restricted for:			
School infrastructure	747,244	-	747,244
Physical plant and equipment	-	256,146	256,146
Total fund balances	747,244	256,146	1,003,390
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 755,342</b>	<b>550,450</b>	<b>1,305,792</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	274,396	274,396
Other	193	-	193
State sources	156,014	3,368	159,382
Total revenues	<u>156,207</u>	<u>277,764</u>	<u>433,971</u>
Expenditures:			
Current:			
Instruction:			
Regular	79,494	-	79,494
Support services:			
Instructional staff	27,980	1,934	29,914
Administration	7,674	595	8,269
Operation and maintenance of plant	1,882	70,315	72,197
Transportation	17,800	-	17,800
Capital outlay	7,894	4,581	12,475
Total expenditures	<u>142,724</u>	<u>77,425</u>	<u>220,149</u>
Excess of revenues over expenditures	13,483	200,339	213,822
Other financing sources(uses):			
Transfer out	-	(19,352)	(19,352)
Proceeds from sale of equipment	-	31,500	31,500
Total other financing sources(uses)	<u>-</u>	<u>12,148</u>	<u>12,148</u>
Change in fund balances	13,483	212,487	225,970
Fund balances beginning of year	<u>733,761</u>	<u>43,659</u>	<u>777,420</u>
Fund balances end of year	<u>\$ 747,244</u>	<u>256,146</u>	<u>1,003,390</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 8,884	-	-	8,884
Drama/Class Play	1,069	-	-	1,069
Vocal music	206	-	-	206
Cheerleaders	65	-	-	65
Basketball	3,184	-	-	3,184
Volleyball	611	-	-	611
Softball	200	-	-	200
Year Book Fund	12	35	-	47
Class of 2012	221	-	-	221
Class of 2013	(1)	-	-	(1)
Class of 2014	721	-	-	721
Class of 2015	426	-	-	426
Class of 2016	511	-	-	511
Class of 2017	407	-	-	407
Class of 2018	195	-	-	195
National Honor Society	1	-	-	1
Student Council	563	877	513	927
Annual	(301)	-	337	(638)
Academic Programs	597	-	-	597
PBS Program	1,036	-	-	1,036
K-2 Classroom	(67)	25	50	(92)
<b>TOTALS</b>	<b>\$ 18,540</b>	<b>937</b>	<b>900</b>	<b>18,577</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,919,340	1,568,425	1,560,882	1,821,960	1,537,448	1,482,793	1,437,711	1,430,486	1,391,325	1,353,605
Tuition	44,098	2,180	13,888	28,571	77,225	36,229	84,835	89,027	110,488	101,699
Other	94,208	140,520	129,265	196,440	178,631	145,404	141,314	424,473	312,915	136,432
Intermediate sources	2,752	8,243	4,036	3,855	1,539	2,365	8,252	-	3,712	-
State sources	608,214	819,099	764,657	981,579	988,835	833,860	1,176,420	1,242,027	1,186,901	1,163,532
Federal sources	84,267	52,423	71,280	90,798	155,162	233,474	79,413	63,513	69,375	101,510
<b>Total</b>	<b>\$ 2,752,879</b>	<b>2,590,890</b>	<b>2,544,008</b>	<b>3,123,203</b>	<b>2,938,840</b>	<b>2,734,125</b>	<b>2,927,945</b>	<b>3,249,526</b>	<b>3,074,716</b>	<b>2,856,778</b>
Expenditures:										
Instruction:										
Regular	\$ 1,153,468	1,208,311	1,312,394	1,293,829	1,200,556	1,096,495	1,198,812	1,164,182	1,069,698	985,505
Special	235,940	209,615	211,103	223,739	154,628	108,949	156,365	283,397	259,215	283,536
Other	167,390	230,206	100,593	201,640	195,250	247,113	278,411	245,763	232,989	241,488
Support services:										
Student	18,366	22,005	35,165	11,628	5,532	73,830	54,112	51,170	42,422	41,132
Instructional staff	64,474	145,069	218,513	228,358	187,664	150,714	119,007	63,013	64,883	53,640
Administration	223,234	284,165	277,429	280,386	347,415	335,613	330,948	307,244	282,857	255,348
Operation and maintenance of plant	264,101	345,471	289,913	368,575	207,655	233,365	256,598	374,956	325,228	213,562
Transportation	99,298	271,507	81,081	68,521	67,009	67,524	63,398	105,085	81,249	90,836
Capital outlay	12,475	165,729	6,353	54,629	65,031	65,480	26,562	75,589	177,857	62,000
Long-term debt:										
Principal	16,689	-	-	615,000	160,000	150,000	140,000	1,180,000	120,000	131,310
Interest and fiscal charges	2,663	-	-	19,070	23,568	27,768	36,887	78,349	63,303	71,108
Other expenditures:										
AEA flowthrough	76,160	78,533	76,701	77,571	87,905	87,316	81,788	79,750	77,505	73,640
<b>Total</b>	<b>\$ 2,334,258</b>	<b>2,960,611</b>	<b>2,609,245</b>	<b>3,442,946</b>	<b>2,702,213</b>	<b>2,644,167</b>	<b>2,742,888</b>	<b>4,008,498</b>	<b>2,797,206</b>	<b>2,503,105</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

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

To the Board of Education of  
Walnut Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Walnut Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Walnut Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Walnut Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Walnut Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement 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 in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Walnut 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.

## **Walnut Community School District's Responses to Findings**

Walnut Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Walnut Community School District's responses and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2016  
Newton, Iowa

WALNUT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. An individual has control over incompatible duties in one or more of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 5) Transfers - preparing and approving.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) Journal entries - writing, approving and posting

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

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

Conclusion - Response accepted.

I-B-15 Board Policies - During our audit we noted instances of board policies which appeared to be out of date. All board policies should be reviewed at least every five years, with the dates of review and approval being documented in the District's minutes and on the policies.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to ensure that board policies are reviewed in a more timely manner.

Response - The Board will review outdated policies and make changes if necessary

Conclusion - Response accepted.

WALNUT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015, did not exceed the amounts budgeted.
- II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in the 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.
- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - During our audit we noted instances of school board minutes which were not submitted for publishing within two weeks of meeting adjournment as required by 279.35 of the Code of Iowa.
- II-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- 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 provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 733,761
Revenues:		
Sales tax revenues	\$ 156,014	
Other local revenues	193	156,207
		<u>889,968</u>
Expenditures:		
Equipment	120,956	
Other	21,768	142,724
		<u>142,724</u>
Ending balance		<u>\$ 747,244</u>

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

II-M-15 Student Activity Fund - We noted during our audit that the Student Activity Fund has old graduated class accounts from 2011, 2012 and 2013 still being maintained.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds. Any remaining moneys in prior year's graduating class accounts should be reclassified within the Student Activity Fund per the District's Board of Directors guidance.

Response - The Board will decide how to reclassify the old graduated class accounts in the Student Activity Fund.

Conclusion - Response accepted.

II-N-15 Financial Condition - The School Nutrition Fund had deficit unrestricted net position of \$57,925 and deficit total net position of \$55,758 at June 30, 2015. The District's governmental activities had deficit unrestricted net position of \$512,228 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year. The District also had three accounts in the Student Activity Fund with combined negative unassigned fund balance of \$731.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward. The District should continue to monitor the Student Activity Fund accounts and investigate alternatives to eliminate the deficit fund balances.

Response - The deficits in the governmental activities and the School Nutrition Fund are due to the booking of net pension liability. The District will take steps to further the District's administration and Board of Education understanding of the accounting change and how GASB Statements No. 68 and 71 will affect the District's financials in the future. We will continue to monitor the Student Activity Fund accounts and investigate alternatives to eliminate the deficit balances.

Conclusion - Response accepted.