

WAPELLO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Wapello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Duane Boysen	President	2017
Matt Stewart	Vice President	2015
Traci McCleary	Board Member	2015
Rob Pritchard	Board Member	2015
Larry Miller	Board Member	2017
School Officials		
Michael L. Peterson	Superintendent	2015
Eric Small	Board Secretary/Business Manager	2015
Janell Heater	District Treasurer	2015
Brian Gruhn	Attorney	2015
Roger Huddle	Attorney (Thru April 2015)	2015

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(a professional corporation)
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Independent Auditor's Report

To the Board of Education of Wapello Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Wapello Community School District at 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 14 to the financial statements, Wapello 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, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wapello 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 eight 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, the financial statements financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 19, 2016 on our consideration of the Wapello Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Wapello Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

April 19, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapello 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 \$8,148,427 in fiscal year 2014 to \$7,828,239 in fiscal year 2015, while General Fund expenditures increased from \$7,487,513 in fiscal year 2014 to \$8,005,520 in fiscal year 2015. Total expenditures outpaced total revenues resulting in a decrease in the District's General Fund balance from \$1,408,916 at June 30, 2014 to \$1,231,635 at June 30, 2015, a 12.58% decrease from the prior year.
- The decrease in General Fund revenues was mainly attributable to a decrease in state source revenues and a decrease in insurance proceeds received from hail damage incurred by the District as compared to the previous fiscal year. The increase in expenditures was primarily due to an increase in support service expenditures incurred as compared to the prior year.

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 Wapello 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 Wapello 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 Wapello Community School District acts solely as an agent or custodial 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.

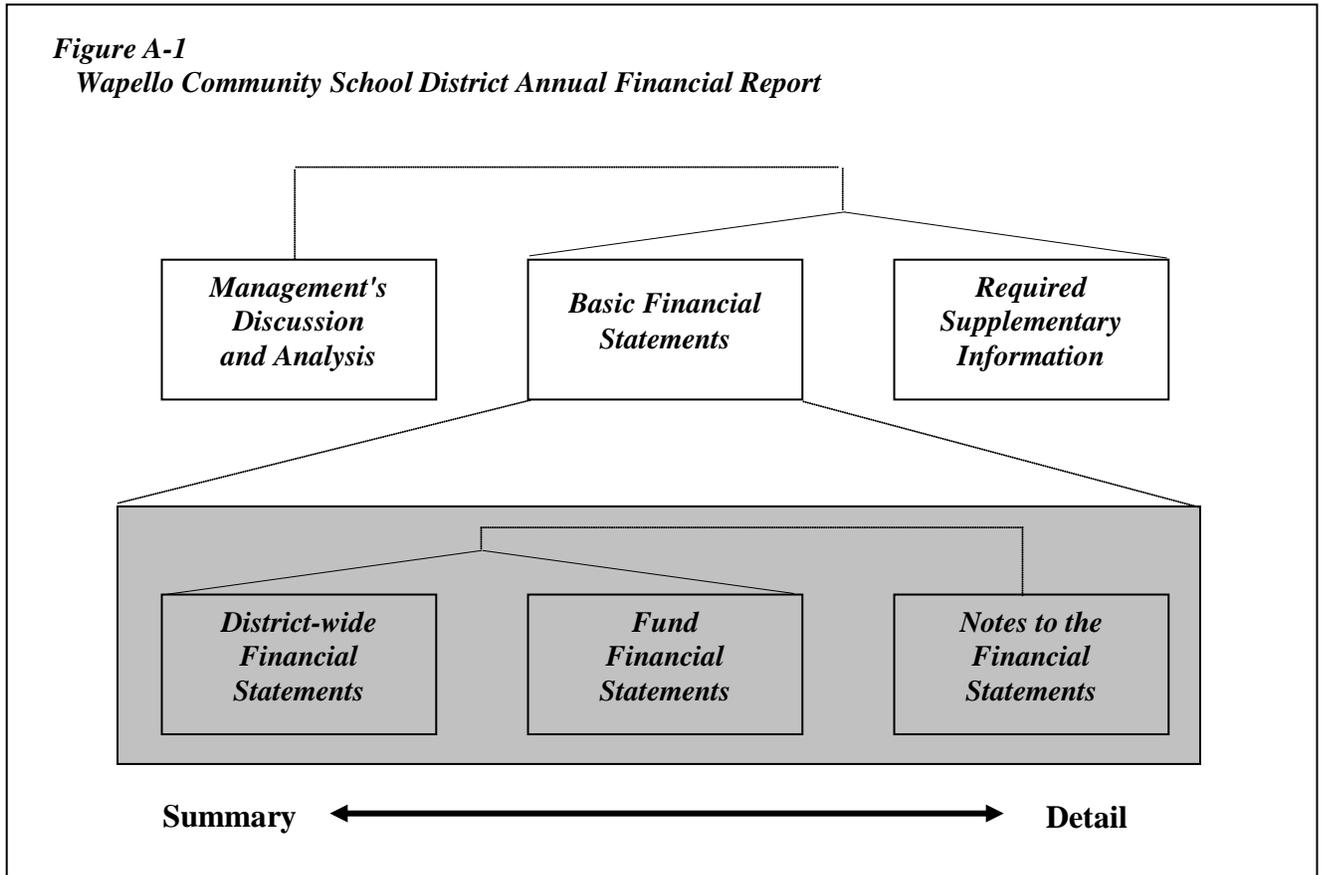


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust and Agency Fund.
 - Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts. The District maintains records for the PTO in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the 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 total 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,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Current and other assets	\$ 6,872,608	6,988,108	13,048	15,947	6,885,656	7,004,055	-1.69%
Capital assets	6,189,364	5,924,970	22,763	21,656	6,212,127	5,946,626	4.46%
Total assets	13,061,972	12,913,078	35,811	37,603	13,097,783	12,950,681	1.14%
Deferred outflows of resources	539,585	-	18,483	-	558,068	-	100.00%
Long-term liabilities	4,523,584	2,148,135	89,975	-	4,613,559	2,148,135	114.77%
Other liabilities	793,569	851,183	56,907	4,160	850,476	855,343	-0.57%
Total liabilities	5,317,153	2,999,318	146,882	4,160	5,464,035	3,003,478	81.92%
Deferred inflows of resources	3,893,247	2,796,542	37,476	-	3,930,723	2,796,542	40.56%
Net position:							
Net investment in capital assets	4,664,364	4,101,497	22,763	21,656	4,687,127	4,123,153	13.68%
Restricted	2,287,392	2,230,506	-	-	2,287,392	2,230,506	2.55%
Unrestricted	(2,560,599)	785,215	(152,827)	11,787	(2,713,426)	797,002	-440.45%
Total net position	\$ 4,391,157	7,117,218	(130,064)	33,443	4,261,093	7,150,661	-40.41%

The District's combined net position decreased by 40.41%, or \$2,889,568, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g. land, infrastructure, buildings, and equipment) net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$56,886 or 2.55% from the prior year. This increase was primarily due to an increase in the amount restricted for school infrastructure purposes as compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$3,510,428, or 440.45%. This decrease 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 \$3,424,705 and \$116,506, 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 as 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		2014		2014			
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	2014-15	
Revenues:								
Program revenues:								
Charges for service	\$ 645,434	575,411	87,963	91,383	733,397	666,794	9.99%	
Operating grants, contributions and restricted interest	680,053	672,606	186,170	204,025	866,223	876,631	-1.19%	
Capital grants, contributions and restricted interest	176	127,573	-	-	176	127,573	-99.86%	
General revenues:								
Property tax	2,831,704	2,804,069	-	-	2,831,704	2,804,069	0.99%	
Income surtax	235,449	232,413	-	-	235,449	232,413	1.31%	
Statewide sales, services and use tax	642,794	635,932	-	-	642,794	635,932	1.08%	
Unrestricted state grants	3,960,894	4,261,790	-	-	3,960,894	4,261,790	-7.06%	
Unrestricted investment earnings	3,863	8,144	-	-	3,863	8,144	-52.57%	
Other	130,106	71,689	30	-	130,136	71,689	81.53%	
Total revenues	9,130,473	9,389,627	274,163	295,408	9,404,636	9,685,035	-2.90%	
Program expenses:								
Instruction	5,751,847	5,945,406	-	-	5,751,847	5,945,406	-3.26%	
Support services	2,099,611	1,963,569	-	-	2,099,611	1,963,569	6.93%	
Non-instructional programs	-	-	321,164	326,949	321,164	326,949	-1.77%	
Other expenses	692,571	674,963	-	-	692,571	674,963	2.61%	
Total expenses	8,544,029	8,583,938	321,164	326,949	8,865,193	8,910,887	-0.51%	
Change in net position before extraordinary item	586,444	805,689	(47,001)	(31,541)	539,443	774,148	-100.00%	
Extraordinary item(Note 11):								
Compensation for the loss of capital assets	112,200	321,741	-	-	112,200	321,741	-65.13%	
Change in net position	698,644	1,127,430	(47,001)	(31,541)	651,643	1,095,889	40.54%	
Net position beginning of year	3,692,513	5,989,788	(83,063)	64,984	3,609,450	6,054,772	-40.39%	
Net position end of year	\$ 4,391,157	7,117,218	(130,064)	33,443	4,261,093	7,150,661	-40.41%	

In fiscal year 2015, property tax and unrestricted state grants account for 74.39% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for all of the revenue from business type activities.

The District's total revenues were approximately \$9.40 million, of which approximately \$9.13 million was for governmental activities and approximately \$0.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.90% decrease in revenues and a 0.51% decrease in expenses. The decrease in revenues can be attributed to a decrease in unrestricted state grant revenue received as compared to the previous year. The decrease in expenses can be attributed to a decrease in instructional expenses incurred as compared to the previous year.

Governmental Activities

Revenues for governmental activities were \$9,130,473 and expenses were \$8,544,029 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 other expenses 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	\$ 5,751,847	5,945,406	-3.26%	4,731,382	4,993,122	-5.24%
Support services	2,099,611	1,963,569	6.93%	2,089,549	1,835,996	13.81%
Other expenses	692,571	674,963	2.61%	397,435	379,230	4.80%
Totals	\$ 8,544,029	8,583,938	-0.46%	7,218,366	7,208,348	0.14%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$645,434.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$680,229.
- The net cost of governmental activities was financed with \$2,831,704 in property tax, \$235,449 in income surtax, \$642,794 in statewide sales, services and use tax, \$3,960,894 in unrestricted state grants, \$3,863 in interest income and \$130,106 in other general revenues.

Business type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$274,163, representing a 7.19% decrease from the prior year and expenses were \$321,164, representing a 1.77% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were mostly comprised of charges for service and, federal and state reimbursements and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Wapello 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 \$3,081,248, below last year's ending combined fund balances of a \$3,189,965. This decrease in combined fund balances was primarily a result of the decrease in fund balance of the General Fund during the year.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. The General Fund balance decreased from \$1,408,916 at June 30, 2014 to \$1,231,635 at June 30, 2015. Total revenues decreased as compared to the prior year primarily from decreases in state revenues received and insurance proceeds received as compared to the prior fiscal year. Expenditures also increased from the prior year primarily due to an increase in support services expenditures incurred. Total expenditures outpaced total revenues during the year ensuring a decrease in ending fund balance.
- The Capital Projects Fund balance increased from \$864,007 at June 30, 2014 to \$933,721 at June 30, 2015. This increase in fund balance is primarily due to an increase in statewide sales, services and use tax revenues received coupled with a decrease in capital outlay expenditures incurred by the District as compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from deficit \$75,082 restated at July 1, 2014 to deficit \$122,083 at June 30, 2015, representing a decrease of 62.60%. This decrease in ending net position is primarily a result of a decrease in charges for service and federal source revenues received as compared to the prior year.

The Day Care Fund net position remained unchanged during the year starting and ending the year with a deficit \$7,981 fund net position. There was no activity in the Day Care Fund during fiscal year 2015.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wapello Community School District amended its budget one time to reflect additional expenditures in the support services function due to hail damage incurred by the District during the year.

The District's revenues were \$292,498 more than budgeted revenues, a variance of 3.22%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at a higher rate than will be needed on an annual basis. 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 \$6,212,127, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents an increase of 4.46% from the prior year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$484,471.

The original cost of the District's capital assets was \$12,202,426. Governmental funds accounted for \$12,097,242 with the remaining \$105,184 accounted for 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 \$4,487,811 at June 30, 2014, compared to \$5,339,180 reported at June 30, 2015. This increase was due in part to the District completing the Wellness Center and the roof project 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	\$ 35,000	35,000	-	-	35,000	35,000	0.00%
Construction in progress	-	546,074	-	-	-	546,074	-100.00%
Buildings	5,339,180	4,487,811	-	-	5,339,180	4,487,811	18.97%
Land improvements	549,958	546,469	-	-	549,958	546,469	0.64%
Machinery and equipment	265,226	309,616	22,763	21,656	287,989	331,272	-13.07%
Total	\$ 6,189,364	5,924,970	22,763	21,656	6,212,127	5,946,626	4.46%

Long-Term Debt

At June 30, 2015, the District had \$4,613,559 in revenue bond and other long-term debt outstanding. This represents an increase of 114.77% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding revenue bonds payable of \$1,525,000 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had a computer lease payable of \$26,931 at June 30, 2015, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had compensated absences of \$22,338 at June 30, 2015, payable from the General Fund.

The District had net pension liability of \$2,734,794 at June 30, 2015. Governmental activities accounted for \$2,644,819 of the total while the business type activities accounted for \$89,975.

The District had net OPEB liability of \$304,496 at June 30, 2015.

	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
Revenue bonds	\$ 1,525,000	1,823,473	-	-	1,525,000	1,823,473	-16.37%
Computer lease	26,931	52,888	-	-	26,931	52,888	-49.08%
Compensated absences	22,338	21,918	-	-	22,338	21,918	1.92%
Net pension liability	2,644,819	-	89,975	-	2,734,794	-	100.00%
Net OPEB liability	304,496	249,856	-	-	304,496	249,856	21.87%
Total	\$ 4,523,584	2,148,135	89,975	-	4,613,559	2,148,135	114.77%

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:

- Declining Enrollment continues to negatively impact the district's budget. Contractual increases and program changes can't be made without thorough consideration of our unspent authorized budget.
- The rising costs of health care coverage and the associated fees and penalties with the Affordable Health Care Act will increase the Wapello Community School District's employer benefit costs during fiscal 2016 and fiscal 2017.
- Due to the implementation of GASB Statement No. 68 in FY15, the District is required to book a liability on its financial statements associated with the District's proportionate share of the IPERS funding deficit. This liability negatively impacts the District's government wide and school nutrition fund financial statements and cannot be funded by the District; however, it does not impact the District's General Fund balance or spending authority. This liability is expected to increase for FY16 and further impact District financials.

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 Eric Small, Board Secretary/Business Manager, Wapello Community School District, 406 Mechanic Street, Wapello, Iowa, 52653.

Basic Financial Statements

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,515,856	-	3,515,856
Receivables:			
Property tax:			
Delinquent	45,578	-	45,578
Succeeding year	2,791,652	-	2,791,652
Income surtax	227,495	-	227,495
Accounts	1,589	-	1,589
Due from other governments	290,438	3,007	293,445
Inventories	-	10,041	10,041
Capital assets, net of accumulated depreciation	6,189,364	22,763	6,212,127
TOTAL ASSETS	13,061,972	35,811	13,097,783
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	539,585	18,483	558,068
LIABILITIES			
Excess of warrants issued over bank balance	-	51,733	51,733
Accounts payable	143,132	243	143,375
Salaries and benefits payable	619,548	-	619,548
Advances from grantors	9,532	-	9,532
Accrued interest payable	21,357	-	21,357
Unearned revenue	-	4,931	4,931
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	200,000	-	200,000
Computer lease payable	26,931	-	26,931
Compensated absences payable	22,338	-	22,338
Portion due after one year:			
Revenue bonds payable	1,325,000	-	1,325,000
Net pension liability	2,644,819	89,975	2,734,794
Net OPEB liability	304,496	-	304,496
TOTAL LIABILITIES	5,317,153	146,882	5,464,035
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	1,101,595	37,476	1,139,071
Unavailable property tax revenues	2,791,652	-	2,791,652
TOTAL DEFERRED INFLOWS OF RESOURCES	3,893,247	37,476	3,930,723
NET POSITION			
Net investment in capital assets	4,664,364	22,763	4,687,127
Restricted for:			
Categorical funding	425,105	-	425,105
Debt service	381,233	-	381,233
Management levy purposes	370,269	-	370,269
Student activities	177,064	-	177,064
School infrastructure	673,441	-	673,441
Physical plant and equipment	260,280	-	260,280
Unrestricted	(2,560,599)	(152,827)	(2,713,426)
TOTAL NET POSITION	\$ 4,391,157	(130,064)	4,261,093

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,340,047	182,187	50,926	-	(3,106,934)	-	(3,106,934)
Special	1,252,604	79,005	142,219	-	(1,031,380)	-	(1,031,380)
Other	1,159,196	384,242	181,886	-	(593,068)	-	(593,068)
	<u>5,751,847</u>	<u>645,434</u>	<u>375,031</u>	<u>-</u>	<u>(4,731,382)</u>	<u>-</u>	<u>(4,731,382)</u>
Support services:							
Student	97,319	-	-	-	(97,319)	-	(97,319)
Instructional staff	45,038	-	-	-	(45,038)	-	(45,038)
Administration	650,026	-	9,886	-	(640,140)	-	(640,140)
Operation and maintenance of plant	1,005,917	-	-	176	(1,005,741)	-	(1,005,741)
Transportation	301,311	-	-	-	(301,311)	-	(301,311)
	<u>2,099,611</u>	<u>-</u>	<u>9,886</u>	<u>176</u>	<u>(2,089,549)</u>	<u>-</u>	<u>(2,089,549)</u>
Long-term debt interest	49,931	-	-	-	(49,931)	-	(49,931)
Other expenses:							
AEA flowthrough	295,136	-	295,136	-	-	-	-
Depreciation(unallocated)*	347,504	-	-	-	(347,504)	-	(347,504)
	<u>642,640</u>	<u>-</u>	<u>295,136</u>	<u>-</u>	<u>(347,504)</u>	<u>-</u>	<u>(347,504)</u>
Total governmental activities	<u>8,544,029</u>	<u>645,434</u>	<u>680,053</u>	<u>176</u>	<u>(7,218,366)</u>	<u>-</u>	<u>(7,218,366)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	321,164	87,963	186,170	-	-	(47,031)	(47,031)
Total	<u>\$ 8,865,193</u>	<u>733,397</u>	<u>866,223</u>	<u>176</u>	<u>(7,218,366)</u>	<u>(47,031)</u>	<u>(7,265,397)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 2,706,328	-		2,706,328
Capital outlay				125,376	-		125,376
Income surtax				235,449	-		235,449
Statewide sales, services and use tax				642,794	-		642,794
Unrestricted state grants				3,960,894	-		3,960,894
Unrestricted investment earnings				3,863	-		3,863
Other				130,106	30		130,136
Total general revenues				<u>7,804,810</u>	<u>30</u>		<u>7,804,840</u>
Change in net position before extraordinary item				586,444	(47,001)		539,443
Extraordinary item(Note 11):							
Compensation for the loss of capital assets				112,200	-		112,200
Change in net position				698,644	(47,001)		651,643
Net position beginning of year, as restated				3,692,513	(83,063)		3,609,450
Net position end of year				<u>\$ 4,391,157</u>	<u>(130,064)</u>		<u>4,261,093</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,772,968	830,457	912,431	3,515,856
Receivables:				
Property tax:				
Delinquent	39,505	2,211	3,862	45,578
Succeeding year	2,301,019	190,633	300,000	2,791,652
Income surtax	227,495	-	-	227,495
Accounts	1,589	-	-	1,589
Due from other governments	189,385	101,053	-	290,438
TOTAL ASSETS	\$ 4,531,961	1,124,354	1,216,293	6,872,608
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 142,732	-	400	143,132
Salaries and benefits payable	619,548	-	-	619,548
Advances from grantors	9,532	-	-	9,532
Total liabilities	771,812	-	400	772,212
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,301,019	190,633	300,000	2,791,652
Income surtax	227,495	-	-	227,495
Total deferred inflows of resources	2,528,514	190,633	300,000	3,019,147
Fund balances:				
Restricted for:				
Categorical funding	425,105	-	-	425,105
Debt service	-	-	402,590	402,590
Management levy purposes	-	-	370,269	370,269
Student activities	-	-	177,064	177,064
School infrastructure	-	673,441	-	673,441
Physical plant and equipment	-	260,280	-	260,280
Unassigned:				
General	806,530	-	-	806,530
Student activities	-	-	(34,030)	(34,030)
Total fund balances	1,231,635	933,721	915,893	3,081,249
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,531,961	1,124,354	1,216,293	6,872,608

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	3,081,249
 <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.		6,189,364
Accounts receivable income surtax, are not yet available to finance expenditures of the current period and, therefore, is shown as deferred inflows of resources in the governmental funds.		227,495
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(21,357)
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	\$ 539,585	
Deferred inflows of resources	<u>(1,101,595)</u>	(562,010)
Long-term liabilities, including revenue bonds payable, computer lease payable, compensated absences payable, the net pension liability, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(4,523,584)</u>
Net position of governmental activities (page 18)	\$	<u>4,391,157</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO 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	\$ 2,662,968	125,376	241,185	3,029,529
Tuition	261,132	-	-	261,132
Other	150,992	58	367,221	518,271
State sources	4,312,919	642,794	-	4,955,713
Federal sources	328,028	176	-	328,204
Total revenues	<u>7,716,039</u>	<u>768,404</u>	<u>608,406</u>	<u>9,092,849</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,381,669	13,252	23,669	3,418,590
Special	1,321,963	-	-	1,321,963
Other	876,807	-	333,473	1,210,280
	<u>5,580,439</u>	<u>13,252</u>	<u>357,142</u>	<u>5,950,833</u>
Support services:				
Student	130,469	-	5,601	136,070
Instructional staff	81,307	-	5,601	86,908
Administration	677,984	-	7,645	685,629
Operation and maintenance of plant	978,335	18,985	83,991	1,081,311
Transportation	261,850	-	25,837	287,687
	<u>2,129,945</u>	<u>18,985</u>	<u>128,675</u>	<u>2,277,605</u>
Capital outlay	-	397,734	-	397,734
Long-term debt:				
Principal	-	-	324,430	324,430
Interest and fiscal charges	-	-	68,027	68,027
	<u>-</u>	<u>-</u>	<u>392,457</u>	<u>392,457</u>
Other expenditures:				
AEA flowthrough	295,136	-	-	295,136
Total expenditures	<u>8,005,520</u>	<u>429,971</u>	<u>878,274</u>	<u>9,313,765</u>
Excess(Deficiency) of revenues over(under) expenditures	(289,481)	338,433	(269,868)	(220,916)
OTHER FINANCING SOURCES(USES):				
Compensation for the loss of capital assets	112,200	-	-	112,200
Transfer in	-	-	268,719	268,719
Transfer out	-	(268,719)	-	(268,719)
TOTAL OTHER FINANCING SOURCES(USES)	<u>112,200</u>	<u>(268,719)</u>	<u>268,719</u>	<u>112,200</u>
Change in fund balances	(177,281)	69,714	(1,149)	(108,716)
Fund balances beginning of year	<u>1,408,916</u>	<u>864,007</u>	<u>917,042</u>	<u>3,189,965</u>
Fund balances end of year	<u>\$ 1,231,635</u>	<u>933,721</u>	<u>915,893</u>	<u>3,081,249</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO 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) \$ (108,716)

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

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

Capital outlay	\$ 747,638	
Depreciation expense	(478,881)	
Loss on disposal	<u>(4,363)</u>	264,394

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.	324,430
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	18,096
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Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as a deferred inflow of resources in the governmental funds.	37,624
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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.	394,119
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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.		
Compensated absences	(420)	
Pension expense	(176,243)	
Other postemployment benefits	<u>(54,640)</u>	<u>(231,303)</u>

Change in net position of governmental activities (page 19)	<u>\$ 698,644</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
ASSETS			
Current assets:			
Due from other governments	\$ 3,007	-	3,007
Inventories	10,041	-	10,041
Total current assets	13,048	-	13,048
Noncurrent assets:			
Capital assets, net of accumulated depreciation	22,763	-	22,763
TOTAL ASSETS	35,811	-	35,811
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	18,483	-	18,483
LIABILITIES			
Current liabilities:			
Excess warrants over bank balances	43,752	7,981	51,733
Accounts payable	243	-	243
Unearned revenue	4,931	-	4,931
Total current liabilities	48,926	7,981	56,907
Noncurrent liabilities:			
Net pension liability	89,975	-	89,975
TOTAL LIABILITIES	138,901	7,981	146,882
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	37,476	-	37,476
NET POSITION			
Net investment in capital assets	22,763	-	22,763
Unrestricted	(144,846)	(7,981)	(152,827)
TOTAL NET POSITION	\$ (122,083)	(7,981)	(130,064)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 87,963	-	87,963
Donations	30	-	30
Total operating revenues	<u>87,993</u>	<u>-</u>	<u>87,993</u>
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	159,940	-	159,940
Benefits	24,518	-	24,518
Services	2,773	-	2,773
Supplies	128,343	-	128,343
Depreciation	5,590	-	5,590
Total operating expenses	<u>321,164</u>	<u>-</u>	<u>321,164</u>
Operating loss	<u>(233,171)</u>	<u>-</u>	<u>(233,171)</u>
Non-operating revenues:			
State sources	2,413	-	2,413
Federal sources	183,757	-	183,757
Total non-operating revenues	<u>186,170</u>	<u>-</u>	<u>186,170</u>
Change in net position	(47,001)	-	(47,001)
Net position beginning of year, as restated	<u>(75,082)</u>	<u>(7,981)</u>	<u>(83,063)</u>
Net position end of year	<u>\$ (122,083)</u>	<u>(7,981)</u>	<u>(130,064)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 89,741	-	89,741
Cash received from miscellaneous	30	-	30
Cash payments to employees for services	(191,996)	-	(191,996)
Cash payments to suppliers for goods or services	(112,033)	-	(112,033)
Net cash used in operating activities	(214,258)	-	(214,258)
Cash flows from non-capital financing activities:			
Interfund borrowings	7,981	(7,981)	-
State grants received	2,413	-	2,413
Federal grants received	164,957	-	164,957
Net cash provided by(used in) non-capital financing activities	175,351	(7,981)	167,370
Cash flows from capital financing activities:			
Purchase of capital assets	(6,697)	-	(6,697)
Net decrease in cash and pooled investments	(45,604)	(7,981)	(53,585)
Cash and pooled investments beginning of year	1,852	-	1,852
Cash and pooled investments end of year	\$ (43,752)	(7,981)	(51,733)
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (233,171)	-	(233,171)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	19,374	-	19,374
Depreciation	5,590	-	5,590
Decrease in inventories	322	-	322
Decrease in accounts receivable	151	-	151
Decrease in accounts payable	(613)	-	(613)
Decrease in net pension liability	(39,788)	-	(39,788)
Increase in deferred outflows of resources	(5,226)	-	(5,226)
Increase in deferred inflows of resources	37,476	-	37,476
Increase in unearned revenue	1,627	-	1,627
Net cash used in operating activities	\$ (214,258)	-	(214,258)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$19,374 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and pooled investments	\$ 41,326	5,022
LIABILITIES		
Due to other groups	-	5,022
NET POSITION		
Held in trust for scholarships	\$ 41,326	-

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship Fund
ADDITIONS:	
Local sources:	
Donations	\$ 30,322
Interest income	58
TOTAL ADDITIONS	30,380
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	1,887
Change in net position	28,493
Net position beginning of year	12,833
Net position end of year	\$ 41,326

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

The Wapello Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District operates or sponsors various adult educational programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Wapello, Iowa, and the predominate agricultural territory in Louisa and Des Moines 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, Wapello 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 District has no component units which meet the Governmental Accounting Standards Board Criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are 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 reports the following nonmajor proprietary funds:

The District's proprietary funds are its Enterprise Fund. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care 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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 - Inventories are valued at cost using the first-in, first-out method for purchased items and governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 300
Buildings	300
Land improvements	300
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	300
Other machinery and equipment	300

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	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 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 current school year, which are payable in July and August, have been accrued as a liabilities.

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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 represents 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 the preceding classifications.

E. Budgets and Budgetary Accounting

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 investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$202,989 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

Note 3. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 35,000	-	-	35,000
Construction in progress	546,074	656,288	1,202,362	-
Total capital assets not being depreciated	<u>581,074</u>	<u>656,288</u>	<u>1,202,362</u>	<u>35,000</u>
Capital assets being depreciated:				
Buildings	7,341,531	1,122,112	-	8,463,643
Land improvements	909,544	80,250	-	989,794
Machinery and equipment	2,539,232	91,350	21,777	2,608,805
Total capital assets being depreciated	<u>10,790,307</u>	<u>1,293,712</u>	<u>21,777</u>	<u>12,062,242</u>
Less accumulated depreciation for:				
Buildings	2,853,720	270,743	-	3,124,463
Land improvements	363,075	76,761	-	439,836
Machinery and equipment	2,229,616	131,377	17,414	2,343,579
Total accumulated depreciation	<u>5,446,411</u>	<u>478,881</u>	<u>17,414</u>	<u>5,907,878</u>
Total capital assets being depreciated, net	<u>5,343,896</u>	<u>814,831</u>	<u>4,363</u>	<u>6,154,364</u>
Governmental activities capital assets, net	<u>\$ 5,924,970</u>	<u>1,471,119</u>	<u>1,206,725</u>	<u>6,189,364</u>
Business type activities:				
Machinery and equipment	\$ 98,487	6,697	-	105,184
Less accumulated depreciation	76,831	5,590	-	82,421
Business type activities capital assets, net	<u>\$ 21,656</u>	<u>1,107</u>	<u>-</u>	<u>22,763</u>
Governmental activities:				
Instruction:				\$ 50,867
Regular				
Support services:				
Instructional staff				2,493
Administration				13,509
Operation and maintenance of plant				10,216
Transportation				54,292
				<u>131,377</u>
Unallocated depreciation				<u>347,504</u>
Total governmental activities depreciation expense				<u>\$ 478,881</u>
Business type activities:				
Food service operations				<u>\$ 5,590</u>

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: Statewide Sales, Services and Use Tax	\$ 240,779
Debt Service	Capital Projects: Physical Plant and Equipment Levy	27,940
Total		<u>\$ 268,719</u>

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

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 computer lease indebtedness.

Note 5. Long-Term Debt

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 1,823,473	-	298,473	1,525,000	200,000
Computer lease	52,888	-	25,957	26,931	26,931
Compensated absences	21,918	22,338	21,918	22,338	22,338
Net pension liability	3,814,396	-	1,169,577	2,644,819	-
Net OPEB liability	249,856	54,640	-	304,496	-
Total	<u>\$ 5,962,531</u>	<u>76,978</u>	<u>1,515,925</u>	<u>4,523,584</u>	<u>249,269</u>
Business type activities:					
Net pension liability	\$ 129,763	-	39,788	89,975	-

Revenue Bonds

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

Year Ending June 30,	Bond Issue of April 1, 2011			
	Interest Rates	Principal	Interest	Total
2016	2.00 %	\$ 200,000	38,777	238,777
2017	2.00	205,000	34,728	239,728
2018	2.30	210,000	30,262	240,262
2019	2.65	215,000	24,999	239,999
2020	3.00	225,000	18,775	243,775
2021-2022	3.20-3.35	470,000	15,740	485,740
Total		<u>\$ 1,525,000</u>	<u>163,281</u>	<u>1,688,281</u>

The District has pledged future statewide sales, services and use tax revenues to repay \$1,525,000 of bonds issued in April 2011. The bonds were issued to finance District capital improvement projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 37 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining on the notes is \$1,688,281. For the current year, \$0 of principal and \$40,778 of interest was paid on the bonds and total statewide sales, service and use tax revenues were \$642,794.

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

- a) \$152,500 of the proceeds from the issuance of the revenue bonds shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into the sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Lease

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

Year Ending June 30,	Computer lease Dated June 17, 2012				
	Interest Rates	Principal	Interest	Total	
2016	3.75 %	\$ 26,931	1,009	27,940	

Note 6. Pension Plan

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

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

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 \$407,653.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,734,794 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 0.067574 percent, which was a decrease of 0.002086 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$182,239. 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	\$ 29,722	\$ -
Changes of assumptions	120,693	-
Net difference between projected and actual earnings on pension plan investments	-	1,042,972
Changes in proportion and differences between District contributions and proportionate share of contributions	-	96,099
District contributions subsequent to the measurement date	407,653	-
Total	<u>\$ 558,068</u>	<u>\$ 1,139,071</u>

\$407,653 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	\$ (248,052)
2017	(248,052)
2018	(248,052)
2019	(248,052)
2020	3,552
	<u>\$ (988,656)</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	\$ 5,167,317	\$ 2,734,794	\$ 681,493

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$40,159 for legally required employer contributions and \$26,758 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. 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 68 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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	\$ 68,700
Interest on net OPEB obligation	6,246
Adjustment to annual required contribution	<u>(14,398)</u>
Annual OPEB cost	60,548
Contributions made	<u>(5,908)</u>
Increase in net OPEB obligation	54,640
Net OPEB obligation beginning of year	<u>249,856</u>
Net OPEB obligation end of year	<u><u>\$ 304,496</u></u>

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

For the year ended June 30, 2015, the District contributed \$5,908 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 55,618	12.08%	\$ 199,946
2014	54,664	8.70%	249,856
2015	60,548	9.76%	304,496

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 \$400,964 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$400,964. The covered payroll (annual payroll of active employees covered by the plan) was \$3,768,203 and the ratio of the UAAL to covered payroll was 10.64%. 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. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$295,136 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 10. Deficit Balances

The Student Activity Fund contained four deficit accounts with a combined deficit unassigned fund balance of \$34,030 at June 30, 2015.

The District had deficit unrestricted and total net position of \$7,981 in the Enterprise: Day Care Fund and at June 30, 2015.

The District had deficit unrestricted net position of \$144,846 and total deficit net position of \$122,083 in the School Nutrition Fund at June 30, 2015. The District's governmental activities had deficit unrestricted net position of \$2,560,599 and the District's business type activities had deficit unrestricted net position of \$152,827 and total deficit net position of \$130,064 at June 30, 2015. The deficit net positions are primarily due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Note 11. Extraordinary Item

During the year ended June 30, 2015, the District continued to receive compensation for loss of capital assets due to hail and wind damage that occurred in the fall of 2013. As a result the District suffered damage to several District buildings, and its athletic complex. As work progresses to repair or replace capital assets due to the hail and wind damage, the District received additional compensation for the loss of capital assets of \$112,200 during fiscal year 2015.

Note 12. Categorical Funding

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

Program	Amount
Home School Assistance Program	\$ 41,196
Gifted and Talented Programs	24,237
Dropout and Dropout Prevention Programs	190,500
Beginning Teacher Mentoring and Induction Programs	861
Teacher Salary Supplement	80,472
Beginning Administrator Mentoring and Induction Program	750
Iowa Early Intervention Block Grant	5,145
Four-year-old Preschool State Aid	16,675
Professional Development for Model Core Curriculum	45,611
Professional Development	19,658
Total	<u>\$ 425,105</u>

Note 13. Operating Lease

The District entered into a sixty month contract with US Bank Equipment Finance to lease five copy machines in June 2012. During the year ended June 30, 2015, the District made lease payments totaling \$13,077. As of June 30, 2015 there are twenty-three months remaining on the lease, which is payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

Note 14. Accounting Change/Restatement

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

	Governmental Activities	Business Type Activities		
		School Nutrition	Day Care	Total
Net position June 30, 2014, as previously reported	\$ 7,117,218	\$ 41,424	(7,981)	33,443
Net pension liability at June 30, 2014	(3,814,396)	(129,763)	-	(129,763)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	389,691	13,257	-	13,257
Net position July 1, 2014, as restated	<u>\$ 3,692,513</u>	<u>\$ (75,082)</u>	<u>(7,981)</u>	<u>(83,063)</u>

Note 15. Reconciliation Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	<u>Net investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	402,590	806,530
Capital assets, net of accumulated depreciation	6,189,364	-	-
Revenue bond capitalized indebtedness	(1,525,000)	-	-
Computer lease indebtedness	-	-	(26,931)
Accrued interest payable	-	(21,357)	-
Unassigned student activities	-	-	(34,030)
Income surtax	-	-	227,495
Compensated absences payable	-	-	(22,338)
Pension related deferred outflows	-	-	539,585
Net pension liability	-	-	(2,644,819)
Pension related deferred inflows	-	-	(1,101,595)
Net OPEB liability	-	-	(304,496)
Net position (Exhibit A)	<u>\$ 4,664,364</u>	<u>381,233</u>	<u>(2,560,599)</u>

Wapello Community School District

Required Supplementary Information

WAPELLO 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 Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,808,932	87,993	3,896,925	4,091,292	4,091,292	(194,367)
State sources	4,955,713	2,413	4,958,126	4,488,222	4,488,222	469,904
Federal sources	328,204	183,757	511,961	495,000	495,000	16,961
Total revenues	9,092,849	274,163	9,367,012	9,074,514	9,074,514	292,498
Expenditures/Expenses:						
Instruction	5,950,833	-	5,950,833	6,876,829	6,876,829	925,996
Support services	2,277,605	-	2,277,605	2,180,377	2,488,165	210,560
Non-instructional programs	-	321,164	321,164	410,000	410,000	88,836
Other expenditures	1,085,327	-	1,085,327	1,166,906	1,166,906	81,579
Total expenditures/expenses	9,313,765	321,164	9,634,929	10,634,112	10,941,900	1,306,971
Excess(Deficiency) of revenues over(under) expenditures/expenses	(220,916)	(47,001)	(267,917)	(1,559,598)	(1,867,386)	1,599,469
Other financing sources, net	112,200	-	112,200	65,504	65,504	46,696
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(108,716)	(47,001)	(155,717)	(1,494,094)	(1,801,882)	1,646,165
Balances beginning of year, as restated	3,189,965	(83,063)	3,106,902	2,183,783	2,183,783	923,119
Balances end of year	\$ 3,081,249	(130,064)	2,951,185	689,689	381,901	2,569,284

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$307,788.

WAPELLO 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	0.067574%
District's proportionate share of the net pension liability	\$ 2,734,794
District's covered-employee payroll	\$ 4,564,987
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.91%
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.

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 407,653	401,024	384,614	371,148	312,062	302,167	279,805	260,941	211,463	212,289
Contributions in relation to the statutorily required contribution	<u>(407,653)</u>	<u>(401,024)</u>	<u>(384,614)</u>	<u>(371,148)</u>	<u>(312,062)</u>	<u>(302,167)</u>	<u>(279,805)</u>	<u>(260,941)</u>	<u>(211,463)</u>	<u>(212,289)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 4,564,987	4,490,750	4,436,148	4,599,108	4,490,101	4,347,727	4,406,378	4,313,074	3,677,617	3,691,983
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.

WAPELLO 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.

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.

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 351,708	351,708	0.0%	\$ 3,891,531	9.04%
2011	July 1, 2009	-	359,314	359,314	0.0%	3,823,201	9.40%
2012	July 1, 2009	-	359,233	359,233	0.0%	3,870,571	9.28%
2013	July 1, 2012	-	410,634	410,634	0.0%	3,760,499	10.92%
2014	July 1, 2012	-	408,847	408,847	0.0%	3,813,878	10.72%
2015	July 1, 2012	-	400,964	400,964	0.0%	3,768,203	10.64%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Wapello Community School District

Supplementary Information

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

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 366,407	143,434	509,841	402,590	912,431
Receivables:					
Property tax:					
Delinquent	3,862	-	3,862	-	3,862
Succeeding year	300,000	-	300,000	-	300,000
TOTAL ASSETS	\$ 670,269	143,434	813,703	402,590	1,216,293
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	400	400	-	400
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	300,000	-	300,000	-	300,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	402,590	402,590
Management levy purposes	370,269	-	370,269	-	370,269
Student activities	-	177,064	177,064	-	177,064
Unassigned	-	(34,030)	(34,030)	-	(34,030)
Total fund balances	370,269	143,034	513,303	402,590	915,893
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 670,269	143,434	813,703	402,590	1,216,293

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 241,185	-	241,185	-	241,185
Other	6,895	360,326	367,221	-	367,221
TOTAL REVENUES	248,080	360,326	608,406	-	608,406
EXPENDITURES:					
Current:					
Instruction:					
Regular	23,669	-	23,669	-	23,669
Other	-	333,473	333,473	-	333,473
Support services:					
Student	5,601	-	5,601	-	5,601
Instructional staff	5,601	-	5,601	-	5,601
Administration	7,645	-	7,645	-	7,645
Operation and maintenance of plant	83,991	-	83,991	-	83,991
Transportation	25,837	-	25,837	-	25,837
Long-term debt:					
Principal	-	-	-	324,430	324,430
Interest and fiscal charges	-	-	-	68,027	68,027
TOTAL EXPENDITURES	152,344	333,473	485,817	392,457	878,274
Excess(Deficiency) of revenues over(under) expenditures	95,736	26,853	122,589	(392,457)	(269,868)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	268,719	268,719
Change in fund balances	95,736	26,853	122,589	(123,738)	(1,149)
Fund balances beginning of year	274,533	116,181	390,714	526,328	917,042
Fund balances end of year	\$ 370,269	143,034	513,303	402,590	915,893

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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
ASSETS			
Cash and pooled investments	\$ 572,388	258,069	830,457
Receivables:			
Property tax:			
Delinquent	-	2,211	2,211
Succeeding year	-	190,633	190,633
Due from other governments	101,053	-	101,053
TOTAL ASSETS	\$ 673,441	450,913	1,124,354
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	190,633	190,633
Fund balances:			
Restricted for:			
School infrastructure	673,441	-	673,441
Physical plant and equipment	-	260,280	260,280
Total fund balances	673,441	260,280	933,721
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 673,441	450,913	1,124,354

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	125,376	125,376
Other	3	55	58
State sources	642,794	-	642,794
Federal sources	-	176	176
TOTAL REVENUES	642,797	125,607	768,404
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	13,252	13,252
Support Services:			
Operation and maintenance of plant	18,985	-	18,985
Capital outlay	227,568	170,166	397,734
TOTAL EXPENDITURES	246,553	183,418	429,971
Excess(Deficiency) of revenues over(under) expenditures	396,244	(57,811)	338,433
OTHER FINANCING USES:			
Transfer out	(240,779)	(27,940)	(268,719)
Change in fund balances	155,465	(85,751)	69,714
Fund balances beginning of year	517,976	346,031	864,007
Fund balances end of year	\$ 673,441	260,280	933,721

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>Graduating Classes:</u>					
Class of:					
2012	\$ 879	-	43	-	836
2013	139	-	-	-	139
2014	239	-	19	-	220
2015	1,101	123	1,224	-	-
2016	-	1,410	926	-	484
	<u>2,358</u>	<u>1,533</u>	<u>2,212</u>	<u>-</u>	<u>1,679</u>
<u>Clubs and Organizations:</u>					
FFA	-	14,995	13,790	(1,205)	-
FFA Concessions	12,235	10,398	15,697	501	7,437
FFA Greenhouse	272	1,072	1,166	-	178
FFA Software	1,423	-	1,168	-	255
FCCLA	602	2,408	2,771	-	239
Cheerleading - Football/Basketball	967	7,324	4,859	-	3,432
Cheerleading - Wrestling	526	406	495	-	437
Key Club	231	430	228	-	433
Poms	2,789	8,118	6,336	-	4,571
FFA Health Machine	2,162	3,619	2,473	-	3,308
FFA Rodeo	34,158	113,015	88,207	703	59,669
	<u>55,365</u>	<u>161,785</u>	<u>137,190</u>	<u>(1)</u>	<u>79,959</u>
<u>Athletics:</u>					
Athletics	(3,529)	63,905	61,801	32,004	30,579
Wrestling Fundraiser	3,506	19,104	20,037	-	2,573
Boys Basketball	129	493	774	(2)	(154)
Girls Basketball Fundraiser	1,295	-	283	-	1,012
Volleyball Fundraiser	366	2,394	1,380	-	1,380
Cross Country	612	48	309	-	351
Baseball Fundraiser	1,753	11,215	6,167	312	7,113
Softball Fundraiser	2,780	14,354	15,223	2,117	4,028
Boys Track Fundraiser	34	758	744	-	48
Girls Track Fundraiser	1,263	6,801	6,974	-	1,090
Football	1,155	13,284	12,578	1,221	3,082
Golf Fundraiser	-	1,392	1,585	(323)	(516)
Soccer	-	5,720	4,101	(799)	820
	<u>9,364</u>	<u>139,468</u>	<u>131,956</u>	<u>34,530</u>	<u>51,406</u>
<u>Academic Clubs:</u>					
Drama Trip	817	3,933	-	-	4,750
Drama and Speech	9,065	8,390	7,462	-	9,993
Vocal	3,978	4,120	6,671	190	1,617
Music Trip	1,395	-	-	(243)	1,152
Vocal Fundraiser	-	-	244	(135)	(379)
Band	1,115	5,830	4,608	129	2,466
Art Club	322	1,956	2,208	-	70
Yearbook - Odd	-	3,667	2,178	(34,470)	(32,981)
Student Senate	1,355	3,912	3,573	-	1,694
National Honor Society	595	870	641	-	824
Prom	2,117	1,070	1,774	-	1,413
Mock Trial	276	100	-	-	376
	<u>21,035</u>	<u>33,848</u>	<u>29,359</u>	<u>(34,529)</u>	<u>(9,005)</u>
<u>Junior High:</u>					
Junior High	2,185	6,830	8,139	-	876
Student Senate	58	-	-	-	58
	<u>2,243</u>	<u>6,830</u>	<u>8,139</u>	<u>-</u>	<u>934</u>
<u>Elementary:</u>					
Elementary	14,238	13,848	13,907	-	14,179
Elem Yearbook	79	1,533	1,404	-	208
Elem Vocal Music	2,699	537	1,205	-	2,031
Elem Student Council	265	-	-	-	265
Character Counts Program	272	-	96	-	176
Elem Ticket Store	191	-	-	-	191
	<u>17,744</u>	<u>15,918</u>	<u>16,612</u>	<u>-</u>	<u>17,050</u>
<u>Miscellaneous:</u>					
Bus Barn Pop	102	-	102	-	-
Spanish Trip	639	183	231	-	591
Hometown Days	9	1	10	-	-
Interest Checking	420	-	-	-	420
School Nurse Fund	6,902	760	7,662	-	-
	<u>8,072</u>	<u>944</u>	<u>8,005</u>	<u>-</u>	<u>1,011</u>
Total	<u>\$ 116,181</u>	<u>360,326</u>	<u>333,473</u>	<u>-</u>	<u>143,034</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 3,643	4,238	2,859	5,022
LIABILITIES				
Accounts payable	\$ 2,859	-	2,859	-
Due to other groups	784	4,238	-	5,022
Total liabilities	\$ 3,643	4,238	2,859	5,022

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund								
	Wapello				Jeans				Total
	Gerdner Scholarship	Foundation Scholarship	Matthews Scholarship	Walker Scholarship	Pickering Scholarship	Day Scholarship	FFA Scholarship	Other Scholarships	
ASSETS									
Cash and pooled investments	\$ 7,857	200	367	2,500	1,120	412	4,000	24,870	41,326
LIABILITIES	-	-	-	-	-	-	-	-	-
NET POSITION									
Held in trust for scholarships	\$ 7,857	200	367	2,500	1,120	412	4,000	24,870	41,326

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund									Total
	Wapello				Jeans				Other Scholarships	
	Gerdner Scholarship	Foundation Scholarship	Matthews Scholarship	Walker Scholarship	Pickering Scholarship	Keltner Scholarship	Day Scholarship	FFA Scholarship		
ADDITIONS:										
Local sources:										
Donations	\$ -	-	-	-	-	200	1,252	4,000	24,870	30,322
Interest income	14	-	-	-	-	-	44	-	-	58
TOTAL ADDITIONS	14	-	-	-	-	200	1,296	4,000	24,870	30,380
DEDUCTIONS:										
Instruction:										
Regular:										
Scholarships awarded	100	-	-	500	-	200	1,087	-	-	1,887
Change in net position	(86)	-	-	(500)	-	-	209	4,000	24,870	28,493
Net position beginning of year	7,943	200	367	3,000	1,120	-	203	-	-	12,833
Net position end of year	\$ 7,857	200	367	2,500	1,120	-	412	4,000	24,870	41,326

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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	\$ 3,029,529	3,031,569	3,609,985	3,437,226	3,477,597	3,469,688	3,440,859	3,192,897	3,358,514	3,046,344
Tuition	261,132	232,900	248,578	234,223	211,213	209,779	151,993	171,800	176,768	215,080
Other	518,271	549,917	488,689	415,505	426,312	406,404	383,733	453,729	442,145	422,413
State sources	4,955,713	5,272,309	4,314,572	4,508,363	4,144,326	3,626,844	4,347,592	4,219,007	4,098,662	3,834,209
Federal sources	328,404	298,019	304,830	396,569	488,342	585,785	269,075	222,304	204,199	221,391
Total	\$ 9,093,049	9,384,714	8,966,654	8,991,886	8,747,790	8,298,500	8,593,252	8,259,737	8,280,288	7,739,437
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,418,590	3,541,955	3,730,267	3,596,694	3,540,026	3,540,140	3,684,116	3,507,759	3,407,171	3,124,319
Special	1,321,963	1,391,079	1,349,341	1,216,504	1,139,305	1,086,232	879,598	906,180	870,521	958,535
Other	1,210,280	1,113,655	1,130,747	1,041,579	1,097,280	1,147,125	986,133	1,057,949	1,024,131	1,035,072
Support services:										
Student	136,070	141,535	149,642	139,147	125,968	123,859	104,190	117,735	127,343	117,265
Instructional staff	86,908	93,574	91,583	69,418	71,746	73,466	68,016	66,246	76,407	59,603
Administration	685,629	619,319	646,299	695,030	681,362	667,032	664,170	658,873	618,373	614,171
Operation and maintenance of plant	1,081,311	610,032	620,722	525,272	519,866	583,198	503,711	650,469	635,163	664,509
Transportation	287,687	322,291	358,516	331,034	471,900	305,753	394,984	359,840	345,497	317,789
Capital outlay	397,734	689,921	105,021	1,200,920	1,280,311	613,948	1,483,681	358,708	46,635	55,207
Long-term debt:										
Principal	324,430	325,208	344,377	388,263	303,159	289,416	222,691	218,886	159,102	153,158
Interest and fiscal charges	68,027	100,530	92,078	100,783	20,877	32,749	35,395	44,823	46,490	53,805
Other expenditures:										
AEA flow-through	295,136	295,733	284,686	287,363	313,414	311,759	291,503	275,760	271,268	248,746
Total	\$ 9,313,765	9,244,832	8,903,279	9,592,007	9,565,214	8,774,677	9,318,188	8,223,228	7,628,101	7,402,179

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 Wapello Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapello Community School District 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, and have issued our report thereon dated April 19, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapello 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.

Wapello Community School District's Responses to Findings

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

Purpose of this Report

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

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

April 19, 2016
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each 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.
- 4) Payroll - recordkeeping, preparation, posting and distribution.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) School lunch program - journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The district will continue to review procedures to obtain the maximum internal controls possible under the circumstances utilizing current personnel, including elected officials. The district will explore any additional possibilities to implement further internal controls.

Conclusion - Response accepted.

I-B-15 Bank Reconciliations - During our audit we noted the District did not appear to reconcile the bank statements for the General Fund for the month of May. Several outstanding checks were listed on the June bank reconciliation which had cleared the District's bank in May but were not marked as cleared on the District's accounting system. We also noted multiple outstanding checks listed without any vendors or corresponding amounts. These uncleared items give the appearance bank reconciliations might not be completed in a timely manner or completed fully each month.

Recommendation - Better internal controls would be achieved if the Business Manager or designated individual would perform bank reconciliations of the District's bank statements to the District's general ledger in a timely manner each month. Bank reconciliation when performed timely, and reconciling items adjusted would provide

support for the cash position. This would allow the user of the monthly financial statements a higher degree of confidence in the amount of cash reflected on the fund balance sheets.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to additional software training on bank reconciliations through tutorials provided by software unlimited and/or through continuing education provided through groups such as IASBO.

Response - With new accounting software, district personnel were unclear that they could move on with an issue in the bank reconciliation. This is a change from the previous software. The district will ensure that timely bank reconciliations are completed fully each month and if additional training is necessary, the district will send staff to training through the software vendor.

Conclusion - Response accepted.

I-C-15 Supporting Documents for Credit Card Payments - During our audit we noted several instances of purchases on the District credit card that lacked an invoice or detailed receipt to be used as supporting documentation beyond the credit card statement. These actions do not appear to be in compliance with the District's own board policy 401.10 regarding the use of District credit cards.

Recommendation - The District should review their procedures in place to ensure that all bills are supported, approved, and paid from an invoice. The District should also review board policy 401.10 regarding the use of District credit cards and then the District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice. This additional approval should be documented and kept as additional support with the purchase.

Response - The district will review procedures currently in place and provide additional training to staff members to ensure that the proper documentation is received. The district will also consider additional steps to be put in place if the documentation is not received, such as requiring additional approval or supporting documentation other than the invoice and kept as additional support with the purchase.

Conclusion - Response accepted.

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 certified budgeted amounts.

II-B-15 Questionable Disbursements – Disbursements noted which may not meet public purpose as defined by Attorney General's opinion dated April 25, 1979 are noted as follows:

Gift Cards: Noted the District purchased gift cards to be given as PBIS awards from the General Fund. Giving cash or gift certificates/cards does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and gift cards does not provide the board with the ability to perform the required function of approval of the

final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives to be in compliance with Iowa Code Section 279.29 and the Attorney General's opinion dated April 25, 1979.

Response - The district will work with administration and staff to emphasize that gift cards are not an allowable expenditure from district funds. The district will work to find alternatives to this practice and find other prizes to be given that can be audited and allowed.

Conclusion - Response accepted.

Sales Tax Reimbursements: We noted reimbursements to District employees for items purchased for the full purchase price, including sales tax. As a tax-exempt entity the reimbursements for sales tax would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review their procedures in place, and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The district will review our procedures in place and make the necessary adjustments to comply with the Attorney General's Opinion dated April 25, 1979. The district will meet with employees to discuss this issue and make sure all employees are notified that sales tax can't be reimbursed.

Conclusion - Response accepted.

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 - Business transactions between the District and District officials and employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Duane Boyson, Board Member Owns JD's Irish Ivy	Supplies	\$835
John Vandenburg, Teacher/Coach Own's Vee's Tees	Supplies	\$330

In accordance with the Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not appear to represent a conflict of interest.

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

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

II-G-15 Certified Enrollment - We noted variances in the basic enrollment data certified to the Iowa Department of Education. The number of resident students certified was overstated by 1.00 students for the fall 2014 count date.

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

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

Conclusion - Response accepted.

II-H-15 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated by 0.406 for the fall of 2014.

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

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

Conclusion - Response accepted.

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

II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not 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 Financial Condition - At June 30, 2015, the Student Activity Fund had four deficit accounts with a total deficit unassigned fund balance of \$34,030 at June 30, 2015. The District also had deficit unrestricted and total deficit net position of \$7,981 in the Enterprise Day Care Fund at June 30, 2015. The School Nutrition Fund had deficit unrestricted net position of \$144,846 and total deficit net position of \$122,083 at June 30, 2015. This resulted in a total deficit unrestricted fund balance of \$152,827 and deficit total net position of \$130,064 in the District's total business type activities at June 30, 2015. The District's governmental activities also had a deficit unrestricted net position of \$2,560,599 at June 30, 2015. These deficit net positions were primarily due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and No. 71 will affect the District's financials moving forward. The District should also review its activity fund and its deficit accounts and develop a plan to bring these deficit student activity accounts back a zero or positive balance.

Response - The district will review GASB statements 68 and 71 and ensure that the administration and Board of Directors understand how this restatement/change will affect financials moving forward. The district will also continue to look for ways to reduce deficit balances in district funds and accounts.

Conclusion - Response accepted.

II-M-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	517,976
Revenues:			
Sales tax revenues	\$	642,794	
Other local revenues		3	642,797
			<u>1,160,773</u>
Expenditures/transfers out:			
School infrastructure construction	\$	227,568	
Other		18,985	
Transfer to another fund:			
Debt service fund		240,779	487,332
			<u>487,332</u>
Ending Balance		\$	<u>673,441</u>

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

II-N-15 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9). More specific examples of findings are listed below.

PBIS Expenditures: We noted prizes for the District's PBIS program were purchased out of the Student Activity Fund. The purchasing of PBIS incentives and supplies would appear to be related to academic performance and, therefore, would appear instructional in nature. Instructional expenditures are more appropriately handled in the General Fund.

Recommendation - The District should review the revenues and expenditures of the District's PBIS program. PBIS revenues and expenditures appear instructional in nature and would be more appropriately handled recoded in the General Fund instead of the Student Activity Fund.

Response - The district will the propriety of the revenues and expenditures that are approved in the Student Activity Fund and ensure that the expenditures are allowed under current law. The district will also review with administration and staff that PBIS purchases appear instructional in nature and would be more appropriately handled from the General Fund.

Conclusion - Response accepted.

Questionable Account: We also noted a Junior High account within the District's Student Activity Fund which appears to be used as a fundraising account to finance District fieldtrips. This account does not appear to be a student run organization and also does not appear to be extracurricular in nature; therefore this account appears to be instructional and the corresponding revenues and expenses should be run through the District's General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The expenditures in the Junior High account appear to be used to finance District field trips. This would appear to be instructional by nature and would be more appropriate in the General Fund.

Response - The district will review the accounts within the Student Activity Fund. The district will change how the Junior High Account is run. The expenditures that appear to finance field trips will be handled out of the General Fund moving forward.

Conclusion - Response accepted.

Graduated Class Accounts: We noted during our audit the Student Activity Fund has three graduated class accounts with balances still on the District's books as of June 30, 2015. These class accounts include the Classes of 2012, 2013 and 2014.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds. The remaining moneys in the graduating class account should be reclassified to the proper fund according to the class' wishes. The remaining moneys in the class accounts account should be reallocated amongst the other student activity fund accounts based on recommendations made by the Activities Director and approved by the District's Board of Directors.

Response - The district will review remaining balances in class accounts after the class has graduated. If graduating classes have left no instructions on how to allocate any remaining funds, the district will reallocate these funds to accounts within the Student Activity Fund.

Conclusion – Response accepted.

II-O-15 Checks Outstanding - We noted during our audit that the District had fifty-eight checks included in the general bank reconciliations which have been outstanding for over a year including some check which have been outstanding since 2006. We also noted four checks in the activity bank reconciliation which have been outstanding over a year.

Recommendation - The District needs to determine if the outstanding checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The district will review this list and any checks on the list that are there for more than one year will be turned over to the State Treasurer, Unclaimed Property Unit.

Conclusion - Response accepted.

II-P-15 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The district will work with the coaches whom are not regular employees of the district to have them keep track of time worked while coaching. This will comply with Department of Labor requirements and allow the district to determine if wages paid comply with minimum wage and overtime requirements.

Conclusion - Response accepted.