

WASHINGTON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-46
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		48
Notes to Required Supplementary Information - Budgetary Reporting		49
Schedule of the District's Proportionate Share of the Net Pension Liability		50
Schedule of District Contributions		51
Notes to Required Supplementary Information - Pension Liability		52
Schedule of Funding Progress for the Retiree Health Plan		53
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	57
Capital Projects Accounts:		
Combining Balance Sheet	3	58
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	59
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	60-61
Schedule of Changes in Fiduciary Net Position, Private Purpose Trust Accounts	6	62
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	63
Schedule of Expenditures of Federal Awards	8	64
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		65-66
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		67-68
Schedule of Findings and Questioned Costs		69-74

Washington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Eric Turner	President	2015
Heidi Vittetoe	Vice President	2017
Dana McDole	Board Member	2017
Patty Roe	Board Member	2017
Troy Suchan	Board Member	2015
Ericka Raber	Board Member	2015
Stephanie Ellingson	Board Member	2015
School Officials		
Mike Jorgenson	Superintendent	2015
Jeff Dieleman	District Secretary/Treasurer & Business Manager	2015
Rick Engel	Attorney	2015

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 AUDITORS REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Washington 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.

Members American Institute & Iowa Society of Certified Public Accountants

Emphasis of Matter

As discussed in Note 14 to the financial statements, Washington 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 48 through 53 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 Washington 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 standards referred to in the third paragraph of this report, the 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 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, 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 March 15, 2016, on our consideration of the Washington 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 Washington Community School District's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive style with a large, stylized 'N' and 'J'.

March 15, 2016
Newton, Iowa

NOLTE, CORNMAN & JOHNSON, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Washington Community School District provides the 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 increased from \$18,588,164 in fiscal year 2014 to \$19,670,660 in fiscal year 2015, while General Fund expenditures increased from \$19,151,226 in fiscal year 2014 to \$19,264,518 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from \$3,690,745 at June 30, 2014, to \$4,096,887 at June 30, 2015, an 11.00% increase from the prior year.
- The increase in General Fund revenues was primarily attributable to an increase in local tax and state source revenues received as compared to the prior year. The increase in expenditures is attributable to increased negotiated salaries and benefits for District employees.

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 Washington 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 Washington 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 Washington Community School District acts solely as an agent or custodial for the benefit of those outside of 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. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the District.

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

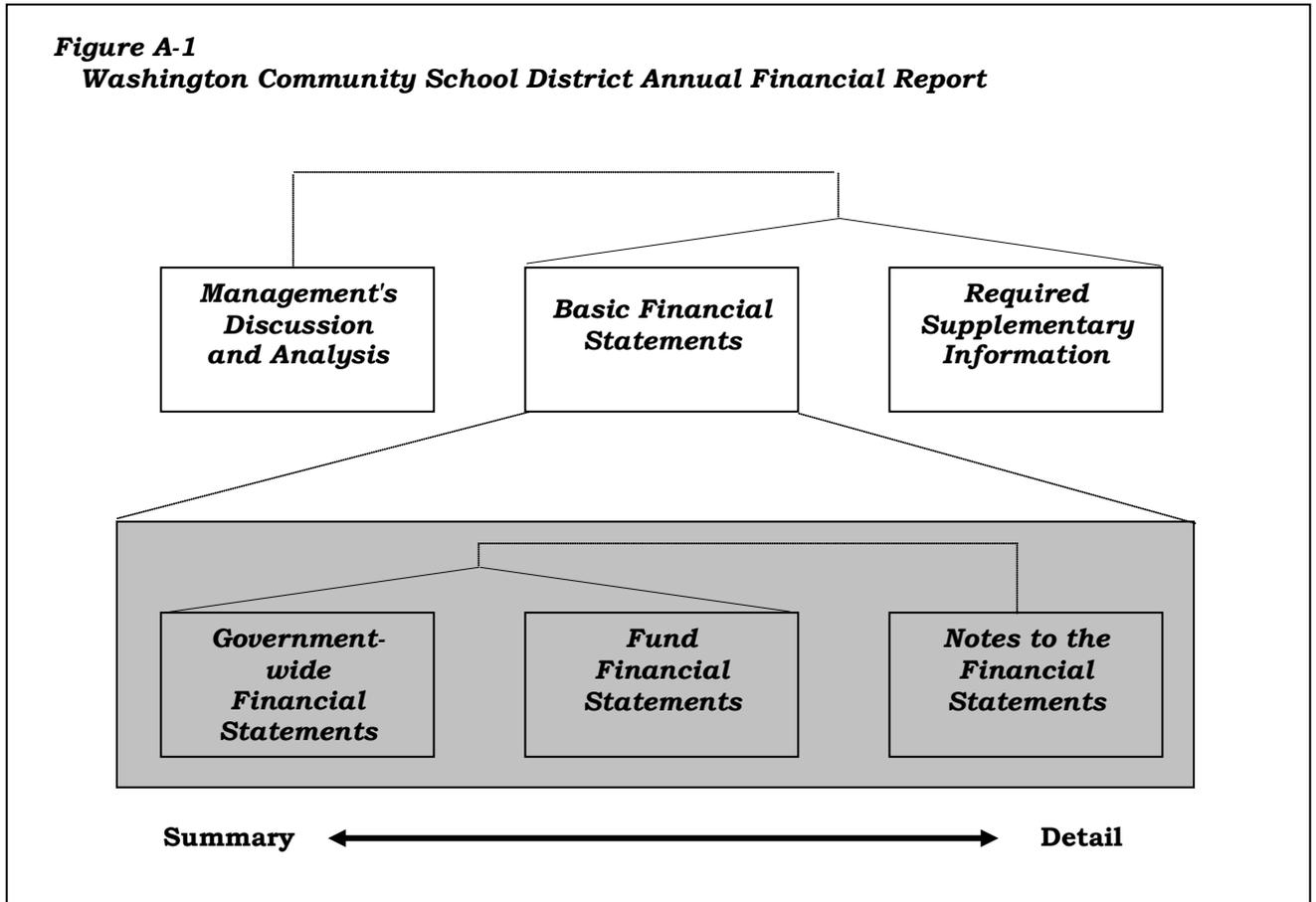


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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	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 is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.
 - Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students 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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	2014 (Not Restated)	June 30, 2015	2014 (Not Restated)	June 30, 2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 29,362,361	18,396,547	127,506	88,587	29,489,867	18,485,134	59.53%
Capital assets	22,327,677	22,973,891	380,277	440,059	22,707,954	23,413,950	-3.02%
Total assets	51,690,038	41,370,438	507,783	528,646	52,197,821	41,899,084	24.58%
Deferred outflows of resources	1,766,207	-	47,223	-	1,813,430	-	100.00%
Long-term liabilities	31,792,019	16,055,167	189,057	3,833	31,981,076	16,059,000	99.15%
Other liabilities	2,817,546	2,783,258	84,218	76,872	2,901,764	2,860,130	1.46%
Total liabilities	34,609,565	18,838,425	273,275	80,705	34,882,840	18,919,130	84.38%
Deferred inflows of resources	8,679,916	5,873,909	70,557	-	8,750,473	5,873,909	48.97%
Net position:							
Net investment in capital assets	8,510,295	7,898,891	380,277	440,059	8,890,572	8,338,950	6.62%
Restricted	5,516,274	5,708,866	-	-	5,516,274	5,708,866	-3.37%
Unrestricted	(3,859,805)	3,050,347	(169,103)	7,882	(4,028,908)	3,058,229	-231.74%
Total net position	\$ 10,166,764	16,658,104	211,174	447,941	10,377,938	17,106,045	-39.33%

The District's combined net position decreased by 39.33%, or \$6,728,107, from the prior year. The largest portion of the District's net position is the invested in capital assets, less the related debt. The debt related to the investment 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 decreased 3.37%, or \$192,592, from the prior year. This decrease in restricted net position can be attributed to the decrease in fund balance of the Management Levy Fund due primarily to a decrease in local tax revenues received 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 \$7,087,137, or 231.74%. The decrease in unrestricted net position is 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 \$7,901,234 and \$218,418 respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of

resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 1,457,058	1,300,407	356,453	352,327	1,813,511	1,652,734	9.73%
Operating grants, contributions and restricted interest	1,958,090	1,931,808	560,556	530,880	2,518,646	2,462,688	2.27%
Capital grants, contributions and restricted interest	65,000	176,275	-	-	65,000	176,275	-63.13%
General revenues:							
Property tax	6,005,100	5,935,010	-	-	6,005,100	5,935,010	1.18%
Income surtax	809,191	771,432	-	-	809,191	771,432	4.89%
Statewide sales, services and use tax	1,688,656	1,551,177	-	-	1,688,656	1,551,177	8.86%
Unrestricted state grants	11,001,378	10,683,641	-	-	11,001,378	10,683,641	2.97%
Unrestricted investment earnings	16,901	2,422	34	37	16,935	2,459	588.69%
Other	83,409	65,090	3,755	3,296	87,164	68,386	27.46%
Total revenues	23,084,783	22,417,262	920,798	886,540	24,005,581	23,303,802	3.01%
Program expenses:							
Instructional	13,438,687	13,416,376	-	-	13,438,687	13,416,376	0.17%
Support services	6,080,883	6,405,182	-	-	6,080,883	6,405,182	-5.06%
Non-instructional programs	-	-	939,147	933,961	939,147	933,961	0.56%
Other expenses	2,155,319	2,129,157	-	-	2,155,319	2,129,157	1.23%
Total expenses	21,674,889	21,950,715	939,147	933,961	22,614,036	22,884,676	-1.18%
Excess(Deficiency) of revenues over(under) expenses	1,409,894	466,547	(18,349)	(47,421)	1,391,545	419,126	232.01%
Transfers	-	(2,191)	-	2,191	-	-	0.00%
Change in net position	1,409,894	464,356	(18,349)	(45,230)	1,391,545	419,126	232.01%
Net position beginning of year, as restated	8,756,870	16,193,748	229,523	493,171	8,986,393	16,686,919	-46.15%
Net position end of year	\$ 10,166,764	16,658,104	211,174	447,941	10,377,938	17,106,045	-39.33%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 84.49% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 99.59% of the revenue from business type activities.

The District's total revenues were approximately \$24.01 million of which approximately \$23.08 million was for governmental activities and approximately \$0.93 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.01% increase in revenues and a 1.18% decrease in expenses. The increase in revenues is mainly attributable to increases unrestricted state grant and charges for service revenues received as compared to the prior year. The decrease in expenditures is attributable to a decrease in support service expenditures incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$23,084,783 and expenses were \$21,674,889 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, long-term debt interest 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		
	2014		Change 2014-15	2014		Change 2014-15
	2015	(Not Restated)		2015	(Not Restated)	
Instruction	\$ 13,438,687	13,416,376	0.17%	11,310,161	11,354,607	-0.39%
Support services	6,080,883	6,405,182	-5.06%	5,494,835	5,788,016	-5.07%
Other expenses	2,155,319	2,129,157	1.23%	1,389,745	1,399,602	-0.70%
Totals	\$ 21,674,889	21,950,715	-1.26%	18,194,741	18,542,225	-1.87%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,457,058.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$2,023,090.
- The net cost of governmental activities was financed with \$6,005,100 in property tax, \$809,191 in income surtax, \$1,688,656 in statewide sales, services and use tax, \$11,001,378 in unrestricted state grants, \$16,901 in interest income and \$83,409 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$920,798 and expenses were \$939,147 for the year ended June 30, 2015. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Washington 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 \$19,985,201, above last year's ending fund balances of \$9,402,812. The main reason for the increase in combined fund balances can be attributed to the increase in fund balance of the Debt Service Fund from the issuance of \$8,808,000 in crossover refunding revenue bonds which will be called on July 1, 2019.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Fund balance of the General Fund increased from \$3,690,745 at June 30, 2014, to \$4,096,887 at June 30, 2015. Revenues increased compared to the prior year primarily due to an increase in local tax and state source revenues received over the prior year. Expenditures increased during the year primarily from an increase in negotiated salaries and benefits paid to District employees. Total revenues outpaced total expenditures ensuring an increase in ending fund balance.
- The Capital Projects Fund balance increased from \$2,460,569 at June 30, 2014 to \$3,839,233 at June 30, 2015. The increase in fund balance was primarily due to the issuance of \$1,100,000 in general obligation bonds during the year which will be used to finance District construction projects. At June 30, 2015, \$950,706 of this bond issuance is still unspent.
- The Debt Service Fund balance increased from \$2,239,362 at June 30, 2014, to \$11,189,643 at June 30, 2015. The increase in fund balance is due to the issuance of \$8,808,000 in crossover advance refunding bonds which will be used to call \$9,110,000 of the December 1, 2009 revenue bond issuance when the bonds become callable on July 1, 2019. The crossover revenue bonds proceeds have been placed in an irrevocable escrow account where they will remain until the bonds are called.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from a restated net position of \$229,523 at July, 2014 to \$211,174 at June 30, 2015, representing a decrease of 7.99%. Expenses increased and revenues increased compared to the prior year, yet total expenses still outpaced total revenues ensuring a decrease in ending net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$2,044,309 more than budgeted revenues, a variance of 9.35%. The most significant dollar difference resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amount budgeted for the year ended June 30, 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$22,707,954, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a decrease of 3.02% from the previous year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,131,062.

The original cost of the District's capital assets was \$31,837,455. Governmental funds account for \$31,056,088 with the remainder of \$781,367 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2014 as compared to \$223,786 at June 30, 2015. This increase is primarily due to architect fees incurred for the District's auditorium and child care building projects which will begin in fiscal year 2016.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 710,542	710,542	-	-	710,542	710,542	0.00%
Construction in progress	223,786	-	-	-	223,786	-	100.00%
Buildings	20,410,249	21,096,746	-	-	20,410,249	21,096,746	-3.25%
Land improvements	264,928	272,808	-	-	264,928	272,808	-2.89%
Machinery and equipment	718,172	893,795	380,277	440,059	1,098,449	1,333,854	-17.65%
Total	\$ 22,327,677	22,973,891	380,277	440,059	22,707,954	23,413,950	-3.02%

Long-Term Debt

At June 30, 2015, the District had \$31,981,076 in general obligation bonds, revenue bonds, energy capital loan notes and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

At June 30, 2015, the District had \$1,100,000 in general obligation bonds outstanding payable from the Debt Service Fund.

At June 30, 2015, the District had \$22,718,000 of revenue bonds outstanding payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund, and the Debt Service Fund.

At June 30, 2015, the District had \$510,000 of energy capital loan notes outstanding payable from the General Fund.

At June 30, 2015, the District had \$175,000 in computer loans outstanding payable from the General Fund.

At June 30, 2015, the District had \$60,777 in termination benefits outstanding payable from the Management Levy Fund.

At June 30, 2015, the District had a net pension liability of \$6,877,687. \$6,692,677 of this total is attributed to the District's governmental activities while the remaining \$185,010 is attributed to its business type activities.

At June 30, 2015, the District had a net OPEB liability of \$539,612. \$535,565 of this total is attributed to the District's governmental activities while the remaining \$4,047 is attributed to its business type activities.

Figure A-7
Outstanding Long-Term Obligations

	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
General obligation bonds	\$ 1,100,000	-	-	-	1,100,000	-	100.00%
Revenue bonds	22,718,000	14,470,000	-	-	22,718,000	14,470,000	57.00%
Capital loan notes	510,000	605,000	-	-	510,000	605,000	-15.70%
Computer loan	175,000	350,000	-	-	175,000	350,000	-50.00%
Termination benefits	60,777	123,000	-	-	60,777	123,000	-50.59%
Net pension liability	6,692,677	-	185,010	-	6,877,687	-	100.00%
Net OPEB liability	535,565	507,167	4,047	3,833	539,612	511,000	5.60%
Total	\$ 31,792,019	16,055,167	189,057	3,833	31,981,076	16,059,000	99.15%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Construction on a 32 unit Affordable Apartment housing is scheduled to be complete by the fall of 2016. This includes 2 and 3 bedroom family units, which is expected to have a positive effect on enrollment.
- Kirkwood Community College opened a regional center her in Washington in the fall of 2014. In year 2, enrollment has doubled that has made a positive effect on supplemental weighting.
- We continue to work with surrounding districts to maximize our operational sharing opportunities. We currently have 20 of the possible 21 student supplemental weighting secured.
- Washington County has one of lowest unemployment rates in Iowa.
- Washington County has a growing labor force, peaking in the fall of 2015 at 12,900.
- Three largest classes will be gone by 2020, creating a potential enrollment decrease of 100.

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 Jeff Dieleman, District Secretary/Treasurer and Business Manager, Washington Community School District, 404 W Main St, Washington, Iowa, 52353.

Basic Financial Statements

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:			
U.S Treasury Securities on deposit with escrow agent	\$ 9,559,912	-	9,559,912
Other	11,984,924	58,465	12,043,389
Receivables:			
Property tax:			
Delinquent	75,366	-	75,366
Succeeding year	6,127,521	-	6,127,521
Income surtax	752,579	-	752,579
Accounts	486	-	486
Due from other governments	861,573	65,258	926,831
Inventories	-	3,783	3,783
Capital assets, net of accumulated depreciation	22,327,677	380,277	22,707,954
TOTAL ASSETS	51,690,038	507,783	52,197,821
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,766,207	47,223	1,813,430
LIABILITIES			
Accounts payable	532,204	7,983	540,187
Salaries and benefits payable	1,953,392	63,364	2,016,756
Advances from grantors	8,233	-	8,233
Deposits payable	3,231	-	3,231
Accrued interest payable	320,486	-	320,486
Unearned revenue	-	12,871	12,871
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	315,000	-	315,000
Revenue bonds payable	665,000	-	665,000
Capital loan notes payable	95,000	-	95,000
Computer loan payable	175,000	-	175,000
Termination benefits payable	7,997	-	7,997
Portion due after one year:			
General obligation bonds payable	785,000	-	785,000
Revenue bonds payable	22,053,000	-	22,053,000
Capital loan notes payable	415,000	-	415,000
Termination benefits payable	52,780	-	52,780
Net pension liability	6,692,677	185,010	6,877,687
Net OPEB liability	535,565	4,047	539,612
TOTAL LIABILITIES	34,609,565	273,275	34,882,840
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	6,127,521	-	6,127,521
Pension related deferred inflows	2,552,395	70,557	2,622,952
TOTAL DEFERRED INFLOWS OF RESOURCES	8,679,916	70,557	8,750,473
NET POSITION			
Net investment in capital assets	8,510,295	380,277	8,890,572
Restricted for:			
Categorical funding	519,841	-	519,841
Debt service	1,309,245	-	1,309,245
Management levy purposes	759,681	-	759,681
Student activities	38,980	-	38,980
School infrastructure	1,828,840	-	1,828,840
Physical plant and equipment	1,059,687	-	1,059,687
Unrestricted	(3,859,805)	(169,103)	(4,028,908)
TOTAL NET POSITION	\$ 10,166,764	211,174	10,377,938

SEE NOTES TO FINANCIAL STATEMENTS.

**WASHINGTON 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	Govern- mental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 7,756,044	509,233	166,994	-	(7,079,817)	-	(7,079,817)
Special	3,029,881	238,726	166,638	-	(2,624,517)	-	(2,624,517)
Other	2,652,762	385,540	661,395	-	(1,605,827)	-	(1,605,827)
	<u>13,438,687</u>	<u>1,133,499</u>	<u>995,027</u>	<u>-</u>	<u>(11,310,161)</u>	<u>-</u>	<u>(11,310,161)</u>
Support services:							
Student	652,670	-	105,511	-	(547,159)	-	(547,159)
Instructional staff	552,846	-	62,087	-	(490,759)	-	(490,759)
Administration	2,158,338	82,999	-	-	(2,075,339)	-	(2,075,339)
Operation and maintenance of plant	1,664,852	-	-	65,000	(1,599,852)	-	(1,599,852)
Transportation	1,052,177	240,560	29,891	-	(781,726)	-	(781,726)
	<u>6,080,883</u>	<u>323,559</u>	<u>197,489</u>	<u>65,000</u>	<u>(5,494,835)</u>	<u>-</u>	<u>(5,494,835)</u>
Long-term debt interest	625,617	-	-	-	(625,617)	-	(625,617)
Other expenses:							
AEA flowthrough	765,574	-	765,574	-	-	-	-
Depreciation (unallocated)*	764,128	-	-	-	(764,128)	-	(764,128)
	<u>1,529,702</u>	<u>-</u>	<u>765,574</u>	<u>-</u>	<u>(764,128)</u>	<u>-</u>	<u>(764,128)</u>
Total governmental activities	<u>21,674,889</u>	<u>1,457,058</u>	<u>1,958,090</u>	<u>65,000</u>	<u>(18,194,741)</u>	<u>-</u>	<u>(18,194,741)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	939,147	356,453	560,556	-	-	(22,138)	(22,138)
Total	<u>\$ 22,614,036</u>	<u>1,813,511</u>	<u>2,518,646</u>	<u>65,000</u>	<u>(18,194,741)</u>	<u>(22,138)</u>	<u>(18,216,879)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 5,282,984	-	5,282,984	
Debt service				167,876	-	167,876	
Capital outlay				554,240	-	554,240	
Income surtax				809,191	-	809,191	
Statewide sales, services and use tax				1,688,656	-	1,688,656	
Unrestricted state grants				11,001,378	-	11,001,378	
Unrestricted investment earnings				16,901	34	16,935	
Other				83,409	3,755	87,164	
Total general revenues				<u>19,604,635</u>	<u>3,789</u>	<u>19,608,424</u>	
Change in net position				1,409,894	(18,349)	1,391,545	
Net position beginning of year, as restated				8,756,870	229,523	8,986,393	
Net position end of year				<u>\$ 10,166,764</u>	<u>211,174</u>	<u>10,377,938</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments:					
U.S Treasury Securities on deposit with escrow agent	\$ -	-	9,559,912	-	9,559,912
Other	5,850,598	3,648,283	1,627,653	858,390	11,984,924
Receivables:					
Property tax:					
Delinquent	59,746	6,863	2,078	6,679	75,366
Succeeding year	5,109,121	549,055	169,345	300,000	6,127,521
Income surtax	752,579	-	-	-	752,579
Accounts	486	-	-	-	486
Due from other governments	599,069	262,504	-	-	861,573
TOTAL ASSETS	\$ 12,371,599	4,466,705	11,358,988	1,165,069	29,362,361
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 448,156	78,417	-	5,631	532,204
Salaries and benefits payable	1,953,392	-	-	-	1,953,392
Advances from grantors	8,233	-	-	-	8,233
Deposits payable	3,231	-	-	-	3,231
Total liabilities	2,413,012	78,417	-	5,631	2,497,060
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	5,109,121	549,055	169,345	300,000	6,127,521
Income surtax	752,579	-	-	-	752,579
Total deferred inflows of resources	5,861,700	549,055	169,345	300,000	6,880,100
Fund balances:					
Restricted for:					
Categorical funding	519,841	-	-	-	519,841
Debt service	-	-	11,189,643	-	11,189,643
Management levy purposes	-	-	-	820,458	820,458
Student activities	-	-	-	38,980	38,980
School infrastructure	-	2,779,546	-	-	2,779,546
Physical plant and equipment	-	1,059,687	-	-	1,059,687
Unassigned	3,577,046	-	-	-	3,577,046
Total fund balances	4,096,887	3,839,233	11,189,643	859,438	19,985,201
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,371,599	4,466,705	11,358,988	1,165,069	29,362,361

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON 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)	\$	19,985,201
 <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.		22,327,677
Accounts receivable income surtax, are not yet available to finance expenditures of the current year and therefore, is recognized as deferred inflows of resources in the governmental funds.		752,579
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.		(320,486)
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	\$ 1,766,207	
Deferred inflows of resources	<u>(2,552,395)</u>	(786,188)
Long-term liabilities, including bonds payable, capital loan note payable, computer loan payable, termination benefits payable, other postemployment benefits payable, and the net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(31,792,019)</u>
Net position of governmental activities (page 18)	\$	<u>10,166,764</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 5,453,896	554,240	167,876	531,197	6,707,209
Tuition	662,636	-	-	-	662,636
Other	687,560	15,574	14,098	284,807	1,002,039
State sources	12,129,200	1,688,957	-	292	13,818,449
Federal sources	737,368	50,000	-	-	787,368
TOTAL REVENUES	19,670,660	2,308,771	181,974	816,296	22,977,701
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,577,928	-	-	264,423	7,842,351
Special	3,075,798	-	-	-	3,075,798
Other	2,339,762	-	-	286,136	2,625,898
	12,993,488	-	-	550,559	13,544,047
Support services:					
Student	603,151	-	-	-	603,151
Instructional staff	474,167	-	-	1,296	475,463
Administration	1,994,197	-	149,112	70,633	2,213,942
Operation and maintenance of plant	1,325,719	-	-	254,076	1,579,795
Transportation	795,686	-	-	104,430	900,116
	5,192,920	-	149,112	430,435	5,772,467
Capital outlay	-	797,090	-	-	797,090
Long-term debt:					
Principal	-	-	830,000	-	830,000
Interest and fiscal charges	-	-	614,060	-	614,060
	-	-	1,444,060	-	1,444,060
Other expenditures:					
AEA flowthrough	765,574	-	-	-	765,574
TOTAL EXPENDITURES	18,951,982	797,090	1,593,172	980,994	22,323,238
Excess(Deficiency) of revenues over(under) expenditures	718,678	1,511,681	(1,411,198)	(164,698)	654,463
Other financing sources(uses):					
Transfer in	-	38,209	1,553,479	12,000	1,603,688
Transfer out	(312,536)	(1,291,152)	-	-	(1,603,688)
Proceeds from revenue bond issuance	-	-	8,808,000	-	8,808,000
Proceeds from general obligation bond issuance	-	1,100,000	-	-	1,100,000
Premiums on bond issuances	-	25,838	-	-	25,838
Discounts on bond issuances	-	(5,912)	-	-	(5,912)
Total other financing sources(uses)	(312,536)	(133,017)	10,361,479	12,000	9,927,926
Change in fund balances	406,142	1,378,664	8,950,281	(152,698)	10,582,389
Fund balances beginning of year	3,690,745	2,460,569	2,239,362	1,012,136	9,402,812
Fund balances end of year	\$ 4,096,887	3,839,233	11,189,643	859,438	19,985,201

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON 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) \$ 10,582,389

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

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

Capital outlay	\$ 425,066	
Depreciation expense	<u>(1,071,280)</u>	(646,214)

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

Issued	\$ (9,908,000)	
Repaid	<u>830,000</u>	(9,078,000)

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. (11,557)

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 107,082

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. 1,013,226

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

Termination benefits	\$ 62,223	
Pension expense	(590,857)	
Other postemployment benefits	<u>(28,398)</u>	<u>(557,032)</u>

Change in net position of governmental activities (page 19) \$ 1,409,894

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 58,465
Due from other governments	65,258
Inventories	3,783
Total current assets	127,506
Noncurrent assets:	
Capital assets, net of accumulated depreciation	380,277
TOTAL ASSETS	507,783
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	47,223
LIABILITIES	
Current liabilities:	
Accounts payable	7,983
Salaries and benefits payable	63,364
Unearned revenue	12,871
Total current liabilities	84,218
Noncurrent liabilities:	
Compensated absences	185,010
Net OPEB liability	4,047
Total noncurrent liabilities	189,057
TOTAL LIABILITIES	273,275
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	70,557
NET POSITION	
Net investment in capital assets	380,277
Unrestricted	(169,103)
TOTAL NET POSITION	\$ 211,174

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 356,453
Miscellaneous	3,755
TOTAL OPERATING REVENUES	360,208
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	305,001
Benefits	50,282
Services	4,398
Supplies	519,656
Other	28
Depreciation	59,782
TOTAL OPERATING EXPENSES	939,147
OPERATING LOSS	(578,939)
NON-OPERATING REVENUES:	
Interest	34
State sources	7,437
Federal sources	553,119
TOTAL NON-OPERATING REVENUES	560,590
Change in net position	(18,349)
Net position beginning of year, as restated	229,523
Net position end of year	\$ 211,174

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 354,795
Cash received from miscellaneous	3,755
Cash payments to employees for services	(363,697)
Cash payments to suppliers for goods or services	(459,041)
Net cash used in operating activities	(464,188)
Cash flows from non-capital financing activities:	
State grants received	7,437
Federal grants received	447,921
Net cash provided by non-capital financing activities	455,358
Cash flows from investing activities:	
Interest on investments	34
Net decrease in cash and pooled investments	(8,796)
Cash and pooled investments beginning of year	67,261
Cash and pooled investments end of year	\$ 58,465
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (578,939)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	57,392
Depreciation	59,782
Decrease in inventories	91
Increase in accounts payable	7,558
Increase in salaries and benefits payable	1,446
Decrease in unearned revenue	(1,658)
Decrease in net pension liability	(60,668)
Increase in deferred outflows of resources	(19,963)
Increase in deferred inflows of resources	70,557
Increase in other postemployment benefits	214
Net cash used in operating activities	\$ (464,188)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$57,392.

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 1,284,172
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 1,284,172</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 9,024
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	31,920
Change in net position	(22,896)
Net position beginning of year	1,307,068
Net position end of year	\$ 1,284,172

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

The Washington Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District also operates or sponsors various adult education programs. The geographic area served includes the City of Washington, Iowa, and the predominate agricultural territory of Washington and Jefferson 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, Washington 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 Washington Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of principal and interest on the District's general long-term debt.

The District also reports the non-major following proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. 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 - 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, Cash Equivalents and Pooled Investments - 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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	40 years
Land improvements	15 years
Intangibles	2-5 years
Machinery and equipment	4-12 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.

Deposits Payable - Insurance deposits received by the District which will be spent by the District on insurance costs 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.

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the other expenditures functional area exceeded the amount budgeted.

Note 2. Cash, Cash Equivalents and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; 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 Obligation Portfolio which are valued at an amortized cost of \$8,579,854 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 & Poor’s Financial Services.

At June 30, 2015, the District had investments in U.S. Treasury Securities which are stated at the fair value of \$9,559,912. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Student Activity	General	\$ 12,000
Capital Projects: General Obligation Bond Construction	Capital Projects: High School Auditorium	21,246
Capital Projects: Statewide Sales, Services and Use Tax	General	9,255
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Middle School Auditorium	7,708
Debt Service	General	291,281
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>1,262,198</u>
Total		<u>\$ 1,603,688</u>

The transfer from the General Fund to the Student Activity Fund was to repay activity for the purchase of a sprinkler system to support District activities.

The transfer from the Capital Project: High School Auditorium to the Capital Projects: General Obligation Bond Construction Fund was to close out the high school project fund.

The transfer from the General Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was to complete a corrective transfer requested by the auditors from the fiscal year 2012 audit for the a energy capital loan note payment which was paid from the incorrect fund.

The transfer from the Capital Projects: Middle School Auditorium Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was to close out the middle school auditorium fund.

The transfer of from the General Fund to the Debt Service Fund was needed to pay principal and interest payments on the District energy capital loan note and computer loan indebtedness.

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

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 710,542	-	-	710,542
Construction in progress	-	223,786	-	223,786
Total capital assets not being depreciated	<u>710,542</u>	<u>223,786</u>	<u>-</u>	<u>934,328</u>
Capital assets being depreciated:				
Buildings	24,975,900	48,637	-	25,024,537
Land improvements	1,201,211	21,114	-	1,222,325
Machinery and equipment	3,743,369	131,529	-	3,874,898
Total capital assets being depreciated	<u>29,920,480</u>	<u>201,280</u>	<u>-</u>	<u>30,121,760</u>
Less accumulated depreciation for:				
Buildings	3,879,154	735,134	-	4,614,288
Land improvements	928,403	28,994	-	957,397
Machinery and equipment	2,849,574	307,152	-	3,156,726
Total accumulated depreciation	<u>7,657,131</u>	<u>1,071,280</u>	<u>-</u>	<u>8,728,411</u>
Total capital assets being depreciated, net	<u>22,263,349</u>	<u>(870,000)</u>	<u>-</u>	<u>21,393,349</u>
Governmental activities capital assets, net	<u>\$ 22,973,891</u>	<u>(646,214)</u>	<u>-</u>	<u>22,327,677</u>
Business Type activities:				
Machinery and equipment	\$ 781,367	-	-	781,367
Less accumulated depreciation	341,308	59,782	-	401,090
Business Type activities capital assets, net	<u>\$ 440,059</u>	<u>(59,782)</u>	<u>-</u>	<u>380,277</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 19,633
Special	2,982
Other	35,199
Support services:	
Instructional services	51,133
Administration	46,133
Operation and maintenance of plant	41,758
Transportation	<u>110,314</u>
Unallocated depreciation	<u>307,152</u>
	<u>764,128</u>
Total governmental activities depreciation expense	<u>\$ 1,071,280</u>
Business type activities:	
Food service operations	<u>\$ 59,782</u>

Note 5. Long-Term Liabilities

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:					
General Obligation Bonds	\$ -	1,100,000	-	1,100,000	315,000
Revenue Bonds	14,470,000	8,808,000	560,000	22,718,000	665,000
Capital Loan Notes	605,000	-	95,000	510,000	95,000
Computer Loan	350,000	-	175,000	175,000	175,000
Termination Benefits	123,000	127,520	189,743	60,777	7,997
Net Pension Liability	8,887,340	-	2,194,663	6,692,677	-
Net OPEB Liability	507,167	28,398	-	535,565	-
Total	\$ 24,942,507	10,063,918	3,214,406	31,792,019	1,257,997
Business Type Activities:					
Net Pension Liability	\$ 245,678	-	60,668	185,010	-
Net OPEB Liability	3,833	214	-	4,047	-
Total	\$ 249,511	214	60,668	189,057	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of June 1, 2015			
	Interest Rates	Principal	Interest	Total
2016	2.00 % \$	315,000	20,500	335,500
2017	2.00	150,000	15,700	165,700
2018	2.00	155,000	12,700	167,700
2019	2.00	155,000	9,600	164,600
2020	2.00	160,000	6,500	166,500
2021	2.00	165,000	3,300	168,300
Total		\$ 1,100,000	68,300	1,168,300

Energy Capital Loan Notes

Details of the District's June 30, 2015, energy capital loan note indebtedness that will be paid from the General Fund are as follows:

Year Ending June 30,	Capital Loan Note Issue of July 1, 2010			
	Interest Rates	Principal	Interest	Total
2016	2.50 % \$	95,000	14,338	109,338
2017	2.65	100,000	10,638	110,638
2018	2.75	100,000	7,938	107,938
2019	2.95	105,000	5,014	110,014
2020	3.15	110,000	1,733	111,733
Total		\$ 510,000	39,661	549,661

Revenue Bonds Payable

On May 28, 2015 the District issued \$8,808,000 in statewide, sales, services and use tax revenue bonds, with an interest rate of 2.70% for a crossover refunding of a portion of the statewide sales, services and use tax revenue bonds issued December 1, 2009. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted to U.S. Treasury Securities. These securities along with additional cash and \$873,253 of the reserve from the 2009 issuance were placed in an escrow account for the express purpose of paying the \$9,110,000 principal of the refunded statewide sales, services and use tax revenue bonds when they become callable on July 1, 2019, and the interest from January 1, 2016 to and including July 1, 2019 on the refunding bonds. After principal and interest on all the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

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 December 1, 2009			Bond Issue of December 12, 2012			Crossover Refunding Bond Issue of May 28, 2015			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	3.25	% \$ 565,000	536,771	1.00	% \$ 100,000	34,285	2.70	% \$ -	140,708	665,000	711,764	1,376,764
2017	3.50	590,000	517,265	1.00	100,000	33,285	2.70	60,000	237,006	750,000	787,556	1,537,556
2018	3.75	610,000	495,502	1.50	100,000	32,035	2.70	60,000	235,386	770,000	762,923	1,532,923
2019	4.00	635,000	471,365	1.50	100,000	30,535	2.70	65,000	233,699	800,000	735,599	1,535,599
2020	4.10	660,000	445,135	1.50	105,000	28,997	2.70	119,000	231,214	884,000	705,346	1,589,346
2021-2025	4.25-4.60	3,740,000	1,760,531	1.55-2.25	545,000	117,210	2.70	4,555,000	846,653	8,840,000	2,724,394	11,564,394
2026-2030	4.75-5.00	5,370,000	773,844	2.35-2.80	690,000	51,958	2.70	3,949,000	211,288	10,009,000	1,037,090	11,046,090
Total		\$ 12,170,000	5,000,413		\$ 1,740,000	328,305		\$ 8,808,000	2,135,954	22,718,000	7,464,672	30,182,672

The District has pledged future statewide sales, services and use tax revenues to repay the \$13,985,000 of bonds issued on December 2009, and the \$1,740,000 of bonds issued in December 2012 and \$8,808,000 of bonds issued May 2015. The bonds were issued for the purpose of defraying a portion of the costs of school infrastructure within the District and to refund other previous revenue bond issuances. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2030. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 82% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$30,182,672. In the current year \$560,000 in principal and \$589,138 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,688,656.

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

- a) \$386,677 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account. This reserve is accounted for in the Debt Service Fund.
- b) Monthly transfers from the District’s Statewide Sales, Services and Use Tax Fund shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds 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 Loan

Details of the District’s June 30, 2015, computer loan indebtedness is as follows:

Year Ending June 30,	Computer Loan Dated June 15, 2012			
	Interest Rates	Principal	Interest	Total
2016	2.00	% \$ 175,000	2,625	177,625

Termination Benefits

In fiscal year 2015, the District approved a voluntary early retirement plan for District employees. The plan was only offered for one year. Eligible employees must have completed ten consecutive years of service to the District and must have reached age fifty-five prior to June 30, 2015. The applications for early retirement were approved by the Board of Education.

Early retirement benefits for District retirees are as follows; \$24,000 for teachers, or half that amount if the potential retiree has worked only five-nine consecutive years. \$12,000 for custodians or secretaries, \$9,000 for paraprofessionals or cooks, \$6,000 for drivers and mechanics. All retirement stipends are paid to an employer sponsored 403(b) plan. Retirees could elect to have the District contribute toward the monthly single premium of \$399.85 towards health insurance until the employee reaches age 65 or becomes eligible for Medicare, which ever occurs first.

At June 30, 2015, the District has obligations to two participants with a total liability of \$60,777. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$189,743.

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 \$1,039,633.

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 \$6,877,687 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 0.169942 percent, which was an increase of 0.008638 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$607,190. 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	\$ 74,747	\$ -
Changes of assumptions	-	303,528
Net difference between projected and actual earnings on pension plan investments	-	2,622,952
Changes in proportion and differences between District contributions and proportionate share of contributions	395,522	-
District contributions subsequent to the measurement date	1,039,633	-
Total	<u>\$ 1,813,430</u>	<u>\$ 2,622,952</u>

\$1,039,633 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	\$ (474,944)
2017	(474,944)
2018	(474,944)
2019	(474,944)
2020	50,621
	<u>\$ (1,849,155)</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	\$ 12,995,196	\$ 6,877,687	\$ 1,713,875

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 \$137,427 for legally required employer contributions and \$91,567 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/prescription drug and dental benefits for employees, retirees, and their spouses. There are 268 active and 12 retired members in the plan. Retirees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), 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 June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 70,000
Interest on net OPEB obligation	22,995
Adjustment to annual required contribution	<u>(19,383)</u>
Annual OPEB cost	73,612
Contributions made	<u>(45,000)</u>
Increase in net OPEB obligation	28,612
Net OPEB obligation - beginning of year	<u>511,000</u>
Net OPEB obligation - end of year	<u><u>\$ 539,612</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$45,000 to the medical plan. Plan members receiving benefits contributed \$111,000 or 71% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 167,030	15.57%	\$ 472,030
2014	72,970	46.59%	511,000
2015	73,612	61.13%	539,612

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$0.580 million with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$0.580 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9.837 million and the ratio of the UAAL to covered payroll was 5.9%. 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, 2013 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2014 applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2014 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$533-\$645 per month for retirees depending on the health plan selected by the retiree. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and vision.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$914,345.

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

Washington 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 \$765,574 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. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 62,949
At-risk supplemental weighting	24,509
Gifted and talented programs	197,003
Returning dropout and dropout prevention programs	7,942
Beginning teacher mentoring and induction programs	25,184
Teacher salary supplement	109,875
Four-year-old preschool state aid	27,813
Successful progression for early readers	40,146
Professional development	24,420
Total	<u>\$ 519,841</u>

Note 11. City Street Assessment Agreement

During the year ended June 30, 2013, the District entered into a city street assessment agreement with the City of Washington. The city agreed to fix the streets and water mains around the high school in exchange for the District paying the city \$8,000 a year for ten years to cover some of the costs of the repairs. On April 10, 2014 the District and the city amended this agreement with the District agreeing to contribute an additional \$50,000. The District made \$14,250 in payments towards this agreement during the year ended June 30, 2015. As of June 30, 2015 seven years remain on this agreement. District obligations per year are detailed below:

<u>Year Ended</u>	<u>Payment</u>
<u>June 30</u>	
2016	\$ 14,250
2017	14,250
2018	14,250
2019	14,250
2020	14,250
2021-2022	28,500
Total	<u>\$ 99,750</u>

Note 12. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the other expenditures functional area exceeded the amount budgeted.

Note 13. Reconciliation of Governmental Fund Balances to Net Position

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

	Net investment in Capital Assets	Management Levy	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	820,458	2,779,546	11,189,643	3,577,046
Invested in capital assets, net of accumulated depreciation	22,327,677	-	-	-	-
Revenue bond capitalized indebtedness	(13,158,088)	-	-	-	-
Escrow balance for crossover refunding revenue bonds	-	-	-	(9,559,912)	-
General obligation bond capitalized indebtedness	(149,294)	-	-	-	-
Unspent general obligation bond proceeds	-	-	(950,706)	-	-
Capital loan note capitalized indebtedness	(510,000)	-	-	-	-
Computer lease indebtedness	-	-	-	-	(175,000)
Termination benefits	-	(60,777)	-	-	-
Accrued interest payable	-	-	-	(320,486)	-
Income surtax receivable	-	-	-	-	752,579
Pension related deferred outflows	-	-	-	-	1,766,207
Pension related deferred inflows	-	-	-	-	(6,692,677)
Net pension liability	-	-	-	-	(2,552,395)
Net OPEB liability	-	-	-	-	(535,565)
Net position (Exhibit A)	\$ 8,510,295	759,681	1,828,840	1,309,245	(3,859,805)

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
Net position June 30, 2014, as previously reported	\$ 16,658,104	\$ 447,941
Net pension liability at June 30, 2014	(8,887,340)	(245,678)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	986,106	27,260
Net position July 1, 2014, as restated	\$ 8,756,870	\$ 229,523

Note 15. Construction Commitments

As of June 30, 2015, the District had not entered into any construction contracts. However, at June 30, 2015, the District has architectural fees as construction in progress for District building remodel projects. These projects are expected to begin in fiscal year 2016. Once, completed the costs of the projects will be added to the District's capital asset listing.

Note 16. Deficit Balances

At June 30, 2015 the District had deficit unrestricted net position of \$169,103 in the Enterprise School Nutrition Fund and deficit unrestricted net position of \$3,859,805 in its governmental activities.

Required Supplementary Information

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 8,371,884	360,242	8,732,126	8,434,550	8,434,550	297,576
State sources	13,818,449	7,437	13,825,886	12,294,640	12,294,640	1,531,246
Federal sources	787,368	553,119	1,340,487	1,125,000	1,125,000	215,487
Total revenues	22,977,701	920,798	23,898,499	21,854,190	21,854,190	2,044,309
Expenditures/Expenses:						
Instruction	13,544,047	-	13,544,047	14,650,000	14,650,000	1,105,953
Support services	5,772,467	-	5,772,467	8,000,000	8,000,000	2,227,533
Non-instructional programs	-	939,147	939,147	1,000,000	1,000,000	60,853
Other expenditures	3,006,724	-	3,006,724	2,594,701	2,594,701	(412,023)
Total expenditures/expenses	22,323,238	939,147	23,262,385	26,244,701	26,244,701	2,982,316
Excess(Deficiency) of revenues over(under) expenditures/expenses	654,463	(18,349)	636,114	(4,390,511)	(4,390,511)	5,026,625
Other financing sources, net	9,927,926	-	9,927,926	(50,000)	(50,000)	9,977,926
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	10,582,389	(18,349)	10,564,040	(4,440,511)	(4,440,511)	15,004,551
Balances beginning of year, as restated	9,402,812	229,523	9,632,335	10,279,502	10,279,502	647,167
Balances end of year	\$ 19,985,201	211,174	20,196,375	5,838,991	5,838,991	15,651,718

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON 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 ended June 30, 2015, expenditures in the other expenditures functional area exceeded the amount budgeted.

WASHINGTON 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	0.169942%
District's proportionate share of the net pension liability	\$ 6,877,687
District's covered-employee payroll	\$ 11,642,027
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.08%
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 ten year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON 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	\$ 1,039,633	1,013,365	904,502	801,811	663,425	639,307	622,716	593,309	548,734	541,600
Contributions in relation to the statutorily required contribution	(1,039,633)	(1,013,365)	(904,502)	(801,811)	(663,425)	(639,307)	(622,716)	(593,309)	(548,734)	(541,600)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 11,642,027	11,347,872	10,432,549	9,935,700	9,545,683	9,198,662	9,806,551	9,806,760	9,543,200	9,419,130
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.

WASHINGTON 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.

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(IN THOUSANDS)
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)
2009	July 1, 2008	\$ -	\$ 676	\$ 676	0.0	% \$ 8,430	8.0 %
2010	July 1, 2008	-	676	676	0.0	10,044	6.7
2011	July 1, 2008	-	676	676	0.0	9,788	6.9
2012	July 1, 2011	-	1,160	1,160	0.0	7,525	15.4
2013	July 1, 2011	-	1,160	1,160	0.0	8,551	13.6
2014	July 1, 2013	-	580	580	0.0	9,052	6.4
2015	July 1, 2013	-	580	580	0.0	9,837	5.9

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Washington Community School District

Supplementary Information

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

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 813,779	44,611	858,390
Receivables:			
Property tax:			
Delinquent	6,679	-	6,679
Succeeding year	300,000	-	300,000
TOTAL ASSETS	\$ 1,120,458	44,611	1,165,069
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	5,631	5,631
Deferred inflows of resources			
Unavailable revenue:			
Succeeding year property tax	300,000	-	300,000
Fund balances:			
Restricted for:			
Management levy purposes	820,458	-	820,458
Student activities	-	38,980	38,980
Total fund balances	820,458	38,980	859,438
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,120,458	44,611	1,165,069

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 531,197	-	531,197
Other	19,143	265,664	284,807
State sources	292	-	292
TOTAL REVENUES	550,632	265,664	816,296
EXPENDITURES:			
Current:			
Instruction:			
Regular	264,423	-	264,423
Other	-	286,136	286,136
Support services:			
Instructional staff	1,296	-	1,296
Administration	70,633	-	70,633
Operation and maintenance of plant	254,076	-	254,076
Transportation	104,430	-	104,430
TOTAL EXPENDITURES	694,858	286,136	980,994
Deficiency of revenues under expenditures	(144,226)	(20,472)	(164,698)
Other financing sources:			
Transfer in	-	12,000	12,000
Change in fund balances	(144,226)	(8,472)	(152,698)
Fund balances beginning of year	964,684	47,452	1,012,136
Fund balances end of year	\$ 820,458	38,980	859,438

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			
	General	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	Obligation Bond Construction			
ASSETS				
Cash and pooled investments	\$ 950,706	1,591,664	1,105,913	3,648,283
Property tax:				
Delinquent	-	-	6,863	6,863
Succeeding year	-	-	549,055	549,055
Due from other governments	-	262,504	-	262,504
TOTAL ASSETS	\$ 950,706	1,854,168	1,661,831	4,466,705
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	25,328	53,089	78,417
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	-	549,055	549,055
Fund balances:				
Restricted for:				
School infrastructure	950,706	1,828,840	-	2,779,546
Physical plant and equipment	-	-	1,059,687	1,059,687
Total fund balances	950,706	1,828,840	1,059,687	3,839,233
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 950,706	1,854,168	1,661,831	4,466,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects					Total
	High School Building and Auditorium Project	Middle School Auditorium Project	General Obligation Bond Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES						
Local sources:						
Local tax	\$ -	-	-	-	554,240	554,240
Other	-	-	15,000	290	284	15,574
State sources	-	-	-	1,688,656	301	1,688,957
Federal sources	-	-	-	-	50,000	50,000
TOTAL REVENUES	-	-	15,000	1,688,946	604,825	2,308,771
EXPENDITURES:						
Current:						
Capital outlay	85,348	2,120	205,466	-	504,156	797,090
Excess(Deficiency) of revenues over(under) expenditures	(85,348)	(2,120)	(190,466)	1,688,946	100,669	1,511,681
Other financing sources(uses):						
Transfer in	-	-	21,246	16,963	-	38,209
Transfer out	(21,246)	(7,708)	-	(1,262,198)	-	(1,291,152)
Proceeds from general obligation bond issuance	-	-	1,100,000	-	-	1,100,000
Premium on general obligation bond issuance	-	-	25,838	-	-	25,838
Discount on general obligation bond issuance	-	-	(5,912)	-	-	(5,912)
Total other financing sources(uses)	(21,246)	(7,708)	1,141,172	(1,245,235)	-	(133,017)
Change in fund balances	(106,594)	(9,828)	950,706	443,711	100,669	1,378,664
Fund balances beginning of year	106,594	9,828	-	1,385,129	959,018	2,460,569
Fund balances end of year	\$ -	-	950,706	1,828,840	1,059,687	3,839,233

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON 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	Interfund & Intrafund Transfers	Balance End of Year
Districtwide activities	\$ 182	29	-	(211)	-
HS drama	165	3,751	4,354	493	55
HS speech	-	-	501	501	-
HS vocal music	514	3,886	3,911	797	1,286
HS instrumental music	-	1,982	2,796	814	-
HS cross country	646	418	645	-	419
HS cheerleaders	1,889	13,043	18,603	3,840	169
HS dance team	104	4,811	7,611	2,696	-
HS boys basketball	571	5,749	5,090	-	1,230
HS football	-	64,462	65,537	1,075	-
HS soccer	-	1,643	4,633	2,990	-
HS baseball	-	5,515	9,274	3,759	-
HS boys track	1,617	3,233	7,372	2,522	-
HS boys golf	-	1,015	8,833	7,818	-
HS bowling	-	682	534	-	148
HS wrestling	-	10,597	11,490	893	-
HS girls basketball	-	10,890	8,954	(1,936)	-
HS volleyball	5,724	8,316	9,727	(4,000)	313
HS girls soccer	-	1,521	2,218	697	-
HS softball	-	5,798	8,596	2,798	-
HS girls track	-	2,814	4,429	1,615	-
HS girls golf	-	151	1,879	1,728	-
HS girls bowling	342	107	-	-	449
HS annual	1,028	13,759	6,337	(8,197)	253
HS newspaper	118	-	-	-	118
HS foreign language	127	-	-	-	127
HS art club	705	39	1,200	500	44
HS dance marathon	120	-	451	331	-
HS NHS	-	331	124	(191)	16
HS earth book	268	718	871	-	115
HS FFA	554	20	1,124	921	371
HS La Onda	377	-	463	903	817
HS SADD	88	-	-	-	88
HS BPA	307	15,414	19,975	5,121	867
HS science club	54	-	61	483	476
HS student congress	962	1,420	924	(87)	1,371
HS archery	-	-	238	518	280
Class of 2014	7	-	-	(7)	-
Class of 2015	407	-	-	(407)	-
Class of 2016	504	2,085	139	1,500	3,950
Class of 2017	454	13	36	1,501	1,932
Class of 2018	269	-	-	1,500	1,769
Class of 2019	-	-	-	2,007	2,007
Class of 2020	-	1,457	2,374	1,907	990

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account	Balance End of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
HS activities	308	37,682	13,963	(24,027)	-
HS general concessions	723	20,854	17,487	(4,090)	-
HS popcorn	155	-	(1)	(156)	-
HS candy sales	238	-	-	(238)	-
Demon café	1,286	-	70	-	1,216
MS drama	450	637	308	-	779
MS vocal music	1,308	11	88	-	1,231
MS instrumental music	1,140	3,180	1,486	-	2,834
MS cross country	25	120	362	217	-
MS cheerleaders	2,152	-	-	-	2,152
MS dance team	221	995	343	-	873
MS boys basketball	1,622	1,282	1,724	-	1,180
MS football	362	1,339	3,900	2,199	-
MS boys track	454	696	981	-	169
MS wrestling	589	676	420	-	845
MS girls basketball	703	1,284	1,924	-	63
MS volleyball	3,803	1,490	1,779	-	3,514
MS girls track	-	559	724	165	-
MS student congress	685	-	975	290	-
MS odyssey	306	-	-	-	306
MS snowball	4,533	-	375	-	4,158
MS activities	194	-	155	(39)	-
MS general fundraising	4,583	41	9,009	4,385	-
MS general concessions	-	4,801	4,409	(392)	-
LN activities	2,317	1,752	2,063	(2,006)	-
Stewart bookfair	70	2,596	2,288	(378)	-
Stewart activities	827	-	-	(827)	-
Assure center	295	-	-	(295)	-
Total	\$ 47,452	265,664	286,136	12,000	38,980

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

Account	Net Position Beginning of Year	Additions	Deductions	Net Position End of Year
BEEBLOSSOM SCHOLARSHIP	\$ 12,751	87	500	12,338
BENSON SCHOLARSHIP	225,741	1,595	2,500	224,836
BUCKLEY SCHOLARSHIP	12,328	85	500	11,913
J&A CALKINS SCHOLARSHIP	414,048	2,880	11,000	405,928
CAMPBELL SCHOLARSHIP	6,258	45	-	6,303
I&E COFFEY SCHOLARSHIP	50,787	349	2,000	49,136
CORREY SCHOLARSHIP	23,028	165	-	23,193
GIPPLE SCHOLARSHIP	4,361	30	150	4,241
JACOBS NURSING SCHOLARSHIP	5,958	43	-	6,001
KAUFMANN SCHOLARSHIP	3,324	23	100	3,247
KOS EDUCATION SCHOLARSHIP	19,983	139	550	19,572
LEVIS SCHOLARSHIP	3,180	22	150	3,052
MEEK SCHOLARSHIP	14,798	101	750	14,149
MOORE SCHOLARSHIP	9,090	63	300	8,853
RAADA SCHOLARSHIP	5,681	39	175	5,545
REED SCHOLARSHIP	12,943	78	2,000	11,021
RICE SCHOLARSHIP	107,306	745	2,999	105,052
SAMPSON SCHOLARSHIP	15,063	103	650	14,516
SCHELL MUSIC SCHOLARSHIP	13,919	96	400	13,615
SCHELL SCIENCE SCHOLARSHIP	14,329	100	400	14,029
SHIELDS SCHOLARSHIP	23,402	167	-	23,569
SIMPSON SCIENCE SCHOLARSHIP	3,405	22	250	3,177
SITLER NURSING SCHOLARSHIP	59,054	415	1,000	58,469
STOUT SCHOLARSHIP	21,802	149	1,000	20,951
WALKER SCHOLARSHIP	3,368	23	-	3,391
WESTERMARK SCHOLARSHIP	559	-	559	-
WILLIAMS SCHOLARSHIP	12,039	81	600	11,520
GREEN SCHOLARSHIP	387	-	387	-
WASH. CO. PORK PRODUCERS SCHOLARSHIP	7,212	37	2,000	5,249
J B DILL LOAN SCHOLARSHIP	33,143	236	-	33,379
DALE KIESEY SCHOLARSHIP	129,901	921	1,000	129,822
RICHARD WEEKS SCHOLARSHIP	23,666	169	-	23,835
CRONE SCHOLARSHIP	2,267	16	-	2,283
MISCELLANEOUS SCHOLARSHIP	11,987	-	-	11,987
Total	<u>\$ 1,307,068</u>	<u>9,024</u>	<u>31,920</u>	<u>1,284,172</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON 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	\$ 6,707,209	6,687,424	8,213,004	8,108,901	7,799,945	7,345,214	6,633,278	6,203,595	5,950,653	5,860,594
Tuition	662,636	582,138	454,860	412,140	545,104	458,126	429,759	480,801	521,579	463,363
Other	1,002,039	1,044,975	1,308,957	1,207,424	1,488,240	901,746	937,456	713,819	923,221	622,688
Intermediate sources	-	-	-	-	-	-	-	-	20,117	-
State sources	13,818,449	13,306,549	10,939,286	10,638,525	9,938,932	8,916,552	9,653,403	9,349,024	8,550,259	8,380,075
Federal sources	787,368	777,158	730,660	2,287,907	1,132,390	1,962,111	1,240,984	1,474,441	1,340,093	1,250,747
Total	\$ 22,977,701	22,398,244	21,646,767	22,654,897	20,904,611	19,583,749	18,894,880	18,221,680	17,305,922	16,577,467
Expenditures:										
Instruction:										
Regular	\$ 7,842,351	7,455,125	7,662,526	7,559,036	6,375,174	6,770,744	6,825,611	6,609,575	6,370,101	6,246,527
Special	3,075,798	3,160,369	2,588,118	2,655,443	2,533,722	2,468,311	2,086,619	2,148,999	2,267,721	1,927,512
Other	2,625,898	2,617,080	2,419,737	2,841,409	2,822,744	2,542,839	2,464,786	2,182,943	2,237,144	1,585,794
Support services:										
Student	603,151	560,206	383,286	377,984	430,355	434,332	449,929	648,992	769,657	1,067,968
Instructional staff	475,463	552,932	815,683	635,050	804,727	602,734	1,053,063	884,585	899,178	1,061,102
Administration	2,213,942	2,065,716	1,982,386	1,786,876	1,739,505	1,662,499	1,669,948	1,562,848	1,505,329	1,400,167
Operation and maintenance of plant	1,579,795	1,526,940	1,462,742	1,278,694	1,082,160	1,302,650	1,369,223	1,332,687	1,365,133	1,349,345
Transportation	900,116	955,834	828,058	818,430	598,627	692,328	549,254	676,839	740,808	693,682
Capital outlay	797,090	927,698	1,656,052	7,037,987	8,412,217	2,060,495	536,100	3,778,154	1,327,430	239,146
Long-term debt:										
Principal	830,000	730,000	615,000	1,355,000	-	-	-	-	-	-
Interest and other charges	614,060	637,343	610,517	612,787	661,191	500	-	-	-	-
Other expenditures:										
AEA flow-through	765,574	729,555	679,366	659,786	718,584	717,214	638,141	611,128	583,693	545,029
Total	\$ 22,323,238	21,918,798	21,703,471	27,618,482	26,179,006	19,254,646	17,642,674	20,436,750	18,066,194	16,116,272

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 81,373
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	431,663 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	40,083
			<u>553,119</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	<u>334,771</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 15	<u>50,000</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	<u>60,086</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	<u>8,345</u>
GRANT WOOD AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	<u>87,964</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>7,974</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 11	<u>301</u>
TOTAL			<u>\$ 1,102,560</u>

* - Includes \$57,392 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Washington Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Washington 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 Washington 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 March 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Washington 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 Washington Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Washington 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 and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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.

Washington Community School District's Responses to Findings

Washington Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Washington 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 Washington Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2016
Newton, Iowa

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 Compliance
for Each Major Federal Program, on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of Washington Community School District:

Report on Compliance for Each Major Federal Program

We have audited Washington Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Washington Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washington Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each federal program. However, our audit does not provide a legal determination on Washington Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Washington Community School District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Washington Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washington Community School District's internal control over compliance with requirements with the type of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Washington Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Washington Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Washington Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2016
Newton, Iowa

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:**
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Individual Programs:**
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Washington Community School District did not qualify as a low-risk auditee.

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, custody of investments and reconciling earnings.
- 3) Receipts - journalizing, posting and reconciling.
- 4) Financial reporting - preparing, reconciling and approving.
- 5) School lunch program - collecting, recording, journalizing, depositing, and posting.

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 work at identifying procedures that will result in the separating of duties listed so that an individual does not have sole control over the listed areas.

Conclusion - Response accepted.

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I - Grants to Local Educational Agencies
Federal Award Year: 2015
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of internal accounting control is the (2015-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, custody of investments and reconciling earnings.
- 3) Receipts - journalizing, posting and reconciling.
- 4) Financial reporting - preparing, reconciling and approving.
- 5) School lunch program - collecting, recording, journalizing, depositing, and posting.

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 and Corrective Action Plan - The District will continue to work at identifying procedures that will result in the separating of duties listed so that an individual does not have sole control over the listed areas.

Conclusion - Response accepted.

WASHINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015, exceeded the amount budgeted in the other expenditures functional area.

Recommendation - The budget should have been satisfactorily amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will review budgeted expenditures and correctly amend the budget when necessary.

Conclusion - Response accepted.

IV-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in Attorney General's opinion dated April 25, 1979.

IV-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.

IV-D-15 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Scott Danielson, Teacher Owner RDL Mowing Inc.	Purchased Services	\$11,966
Steven Roth, Teacher Owner RDL Mowing Inc.	Purchased Services	\$11,966
Curt Levetzow, Coach Owner RDL Mowing Inc.	Purchased Services	\$11,966
Total RDL Mowing Inc.		<u>\$35,898</u>
Eric Turner, Board President Owns JET Physical Therapy	Purchased Services, per Bid	\$5,000

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

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board President do not appear to represent a conflict of interest, as the services were bid by the District and the President abstained from the vote.

- IV-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.
- IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The net adjustment for the fall 2014 count date was 0.0 students.
- Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.
- Conclusion - Response accepted.
- IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-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.
- IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 Financial Condition - The District had a deficit unrestricted net position of \$169,103 in the School Nutrition Fund and the District also had a deficit unrestricted net position in the District's Governmental Activities of \$3,859,805 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.
- Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.
- Response - The District will seek help understanding and communicating to the administration and Board of Education how GASB Statements No. 68 and No. 71 will be reflected on future financial statements.
- Conclusion - Response accepted.
- IV-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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	1,382,129
Revenues/Transfers in:			
Sales tax revenues	\$	1,688,656	
Other local revenues		290	
Transfers from other funds:			
General		9,255	
Capital Projects: Middle School Auditorium		7,708	1,705,909
			<u>3,088,038</u>
Expenditures/Transfers out:			
Transfers to other funds:			
Debt service			<u>1,262,198</u>
Ending Balance		\$	<u><u>1,825,840</u></u>

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

IV-N-15 District Contracts - We noted during our audit a contract to provide DJ services for the District's prom was not signed by the Board President. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will review procedures relating to signed contracts to make certain they are being signed by the board president.

Conclusion - Response accepted.

IV-O-15 Early Retirement Payout of Unused Sick Time - We noted that the District pays employees upon retirement for unused sick time, per the Washington Community School District certified staff master contract.

The used sick time benefits are included in the master contract, consequently they will be provided to all qualified District employees whenever they should choose to retire. They do not appear to be "early retirement" benefits as allowed by Chapter 279.46 of the Code of Iowa. Therefore we question whether the \$8,851.52 of benefits paid by the District to retirees for unused sick time during fiscal year 2015 is an allowable expenditure from the Special Revenue: Management Levy Fund as they appear more appropriately paid from the District's General Fund. As a result we request a corrective transfer from the General Fund to the Management Levy Fund in the amount of \$8,851.52.

Recommendation - The District should have the Board of Education approve a corrective transfer from the General Fund to the Management Levy Fund in the amount of \$8,851.52.

Response - The District has approved a corrective transfer as requested by the auditors.

Conclusion - Response accepted.