

**WEST BEND-MALLARD COMMUNITY SCHOOL DISTRICT  
WEST BEND, IOWA**

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

**YEAR ENDED JUNE 30, 2015**

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**West Bend-Mallard Community School District  
West Bend, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Wendell Schmidt	President	2017
John Zaugg	Vice President	2015
Dave Bruellman	Board Member	2017
Mark Collins	Board Member	2015
Jillian Hanson	Board Member	2015
Dawn Schmidt	Board Member	2015
Mike Thatcher	Board Member	2017
<b>School Officials</b>		
Amanda Schmidt	Superintendent	Indefinite
Carla Montag	District Secretary/Treasurer and Business Manager	Indefinite
Steve Avery	Attorney	Indefinite

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

## Certified Public Accountants

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### Independent Auditor's Report

To the Board of Education of  
West Bend-Mallard Community School District:

#### Report on the Financial Statements

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

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

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Except as explained in the Basis for Disclaimer of Opinion paragraph, 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 includes 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 on the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

#### Basis for Disclaimer of Opinion on Discretely Presented Component Unit

The financial statements of the West Bend-Mallard Achievement Foundation have not been audited, and we were not engaged to audit the West Bend-Mallard Achievement Foundation financial statements as part of our audit of the District's basic financial statements. West Bend-Mallard Achievement Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit.

#### Disclaimer of Opinion on Discretely Presented Component Unit

Because the West Bend-Mallard Achievement Foundation's financial statements have not been audited, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit. Accordingly, we do not express an opinion on the financial statements of the discretely presented component unit of West Bend-Mallard Community School District, as of and for the year ended June 30, 2015.

#### Unmodified Opinions

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

#### Emphasis of Matter

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

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 16 and 54 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Bend-Mallard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2016 on our consideration of West Bend-Mallard Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Bend-Mallard Community School District's internal control over financial reporting and compliance.

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

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

March 2, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,716,665 in fiscal 2014 to \$3,732,139 in fiscal 2015, while General Fund expenditures increased from \$3,600,837 in fiscal 2014 to \$3,737,876 in fiscal 2015. The District's General Fund balance decreased from \$1,355,662 at the end of fiscal 2014 to \$1,349,925 at the end of fiscal 2015, a 0.4% decrease.
  
- The increase in General Fund revenues was attributable to increases in revenue from state sources. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

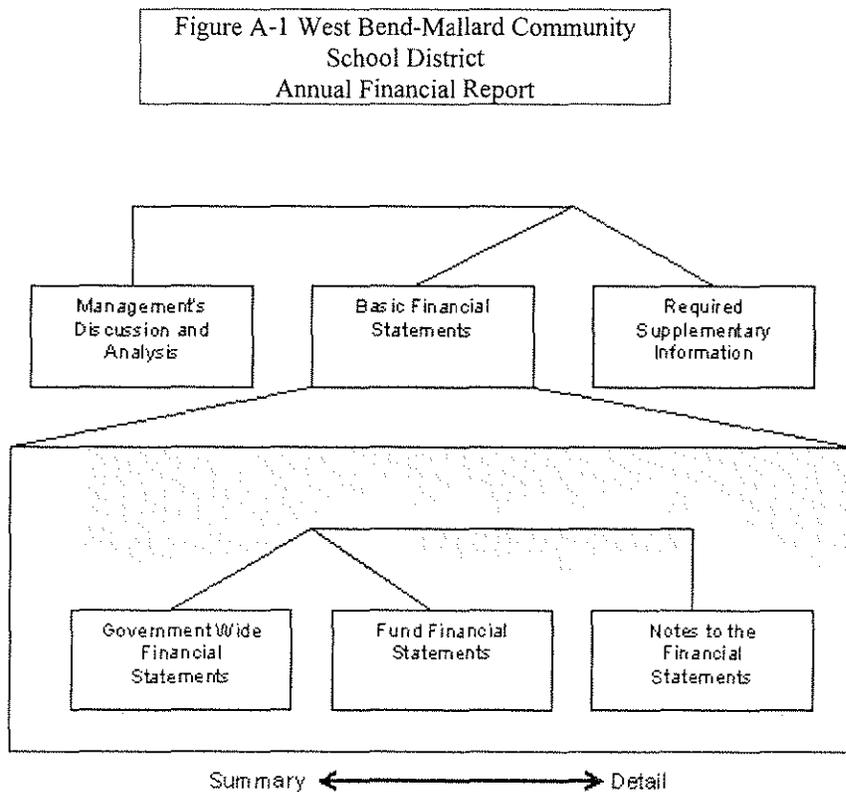


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 inflow/outflow information	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	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 financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three 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.
- *Component unit:* This includes the activities of the West Bend-Mallard Achievement Foundation. The District receives significant financial benefits from this component unit although it is a legally separate entity.

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

The required financial statements for 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 Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

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

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

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Governmental Activities	Business Type Activities		Total District		Total Change		
June 30, 2014 (Not restated)	June 30, 2014 (Not restated)	June 30, 2015 (Not restated)	June 30, 2015 (Not restated)	June 30, 2014 (Not restated)	June 30, 2015 (Not restated)		
Current and other assets	\$6,308	5,778	38	33	6,346	5,811	9.2%
Capital assets	1,966	1,973	17	11	1,983	1,984	-0.1%
Total assets	<u>8,274</u>	<u>7,751</u>	<u>55</u>	<u>44</u>	<u>8,329</u>	<u>7,795</u>	<u>6.9%</u>
Deferred outflows of resources	247	-	9	-	256	-	100.0%
Long-term liabilities	1,285	95	48	3	1,333	98	1,260.2%
Other liabilities	565	528	17	15	582	543	7.2%
Total liabilities	<u>1,850</u>	<u>623</u>	<u>65</u>	<u>18</u>	<u>1,915</u>	<u>641</u>	<u>198.8%</u>
Deferred inflows of resources	2,695	2,036	20	-	2,715	2,036	33.3%
Net position:							
Net investment in capital assets	1,966	1,973	17	11	1,983	1,984	-0.1%
Restricted	2,344	1,964	---	---	2,344	1,964	19.3%
Unrestricted	(334)	1,155	(38)	15	(372)	1,170	-131.8%
Total net position	<u>\$3,976</u>	<u>5,092</u>	<u>(21)</u>	<u>26</u>	<u>3,955</u>	<u>5,118</u>	<u>-22.7%</u>

The District's total net position decreased 22.7% or approximately \$1,163,000, from the prior year. A portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$380,000, or 19.3%, over 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 approximately \$1,542,000 or 131.8%. This reduction in unrestricted net position was primarily a result of the District's net pension liability and 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 \$1,577,177 and \$60,547, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

<b>Figure A-4</b>							
<b>Changes in Net Position</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$ 567	578	113	119	680	697	-2.4%
Operating grants, contributions and restricted interest	624	616	90	84	714	700	2.0%
Capital grants, contributions and restricted interest	68	14	8	---	76	14	442.9%
General revenues:							
Property tax	2,036	1,970	---	---	2,036	1,970	3.4%
Statewide sales, services and use tax	293	287	---	---	293	287	2.1%
Unrestricted state grants	1,088	1,044	---	---	1,088	1,044	4.2%
Unrestricted investment earnings	15	15	---	---	15	15	0.0%
Other	37	28	---	---	37	28	32.1%
Loss on sale of fixed assets	---	(2)	---	---	---	(2)	100.0%
Total revenues	<u>4,728</u>	<u>4,550</u>	<u>211</u>	<u>203</u>	<u>4,939</u>	<u>4,753</u>	<u>3.9%</u>
Program expenses:							
Instruction	2,599	2,596	---	---	2,599	2,596	0.1%
Support services	1,363	1,340	---	---	1,363	1,340	1.7%
Non-instructional programs	6	4	198	199	204	203	0.5%
Other expenses	298	267	---	---	298	267	11.6%
Total expenses	<u>4,266</u>	<u>4,207</u>	<u>198</u>	<u>199</u>	<u>4,464</u>	<u>4,406</u>	<u>1.3%</u>
Change in net position	462	343	13	4	475	347	36.9%
Net position beginning of year, as restated	<u>3,514</u>	<u>4,749</u>	<u>(34)</u>	<u>22</u>	<u>3,480</u>	<u>4,771</u>	<u>-27.1%</u>
Net position end of year	<u>\$ 3,976</u>	<u>5,092</u>	<u>(21)</u>	<u>26</u>	<u>3,955</u>	<u>5,118</u>	<u>-22.7%</u>

In fiscal 2015, property tax and unrestricted state grants account for 66.1% of the revenue from governmental activities while charges for service, operating grants and contributions, and capital grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$4.9 million, of which approximately \$4.7 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District's as a whole experienced a 3.9% increase in revenues and a 1.3% increase in expenses. The District was still able to keep expenditures less than revenues during the year.

### Governmental Activities

Revenues for governmental activities were \$4,727,933 and expenses were \$4,266,421 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by keeping expenses less than available revenues.

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

	Total Cost of Services			Net Cost of Services		
	2015 (Not restated)	2014	Change 2014-2015	2015 (Not restated)	2014	Change 2014-2015
Instruction	\$2,599	2,596	0.1%	1,570	1,557	0.8%
Support services	1,363	1,340	1.7%	1,277	1,321	-3.3%
Non-instructional program	6	4	50.0%	6	4	50.0%
Other expenses	298	267	11.6%	155	117	32.5%
Total	\$4,266	4,207	1.4%	3,008	2,999	0.3%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$567,131.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$623,735.
- The net cost of governmental activities was financed with \$2,036,329 in property and other taxes and \$1,087,618 in unrestricted state grants.

## **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2015 were \$210,918, representing a 3.7% increase from the prior year, while expenses totaled \$197,267, a 1.0% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,510,530, above last year's ending fund balances of \$3,183,141. The primary reason for the increase in combined fund balances is related to revenues exceeding expenditures in the Capital Projects Funds.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,355,662 to \$1,349,925 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Capital Projects Fund balance increased from \$1,249,613 in fiscal 2014 to \$1,592,608 in fiscal 2015 due to revenues exceeding expenditures.

### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from a deficit of \$34,405 at June 30, 2014 to a deficit of \$20,754 at June 30, 2015, representing an increase of approximately 39.7%.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$14,402 more than total budgeted revenues, a variance of 0.3%. Even though local resources were less than budgeted, this was offset by state and federal sources being more than budgeted.

Total expenditures were less than budgeted by \$812,701 due primarily to the District's budget for the General Fund.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested \$2.0 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0.1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$224,389.

The original cost of the District's capital assets was approximately \$8.0 million. Governmental funds account for nearly the entire balance.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 32	32	---	---	32	32	0.00%
Construction in progress	---	4	---	---	---	4	-100.0%
Buildings	1,520	1,439	---	---	1,520	1,439	5.6%
Improvements other than buildings	49	36	---	---	49	36	36.1%
Furniture and equipment	<u>365</u>	<u>462</u>	<u>17</u>	<u>11</u>	<u>382</u>	<u>473</u>	<u>-19.2%</u>
Totals	<u>\$1,966</u>	<u>1,973</u>	<u>17</u>	<u>11</u>	<u>1,983</u>	<u>1,984</u>	<u>-0.1%</u>

### Long-Term Debt

At June 30, 2015, the District had \$12,611 long-term debt outstanding. (See Figure A-7) This represents a decrease of approximately 40.9% from last year. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
Early retirement	\$ 13	22	-40.9%

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

Listed below are several existing circumstances that could significantly affect the West Bend-Mallard Community School District's financial health in the future:

- West Bend-Mallard Community School District experienced a decrease in enrollment for 2015-16. This has been the projection but losing 20 students was quite a hit for one year.
- Health care reform remains a big issue for all businesses.
- For fiscal year ending June 30, 2015, the District had a special education deficit. With the number of special education students that are served outside the district this trend looks to continue.
- Education reform legislation will impact the District and all small school districts not only with budgets, but also with meeting the needs of staffing requirements.
- WBM did receive the TLC Grant. This will impact our salary schedule and the staffing of the district.
- We continue to look at neighboring districts for sharing opportunities not only with students but with staff and programs.
- The WBM Board will consider offering an early retirement package in fiscal year 2017. This will affect the General Fund expenditures.
- The Board of Education is taking a serious look at closing the Mallard facility. A firm date has not been set to close the building but administration and the Board will continue to monitor enrollment and expenses for this building. We are looking at building a multipurpose building. At this time it would house a practice gym and a weight room. This would be a step closer in closing the Mallard Facility.

## **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 Carla Montag, District Secretary/Treasurer and Business Manager, West Bend-Mallard Community School District, 300 3<sup>rd</sup> Ave SW, P.O. Box 247, West Bend, Iowa 50597-0247.

## **Basic Financial Statements**

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	WBM Achievement Foundation
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 3,992,677	29,152	4,021,829	123,041
Receivables:				
Property tax:				
Delinquent	25,939	-	25,939	-
Succeeding year	2,165,867	-	2,165,867	-
Accounts	2,486	655	3,141	-
Due from other governments	120,425	-	120,425	-
Inventories	-	8,140	8,140	-
Capital assets, net of accumulated depreciation	1,966,098	17,420	1,983,518	-
<b>Total assets</b>	<b>8,273,492</b>	<b>55,367</b>	<b>8,328,859</b>	<b>123,041</b>
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	247,419	9,499	256,918	-
<b>Liabilities</b>				
Accounts payable	285,446	-	285,446	-
Salaries and benefits payable	277,763	12,738	290,501	-
Advances from grantors	-	-	-	-
Unearned revenue	-	3,941	3,941	-
Early retirement payable	1,218	-	1,218	-
Long-term liabilities:				
Portion due within one year:				
Early retirement payable	7,312	-	7,312	-
Portion due after one year:				
Early retirement payable	5,299	-	5,299	-
Net pension liability	1,183,184	45,422	1,228,606	-
Net OPEB liability	89,528	3,198	92,726	-
<b>Total liabilities</b>	<b>1,849,750</b>	<b>65,299</b>	<b>1,915,049</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>				
Unavailable property tax revenue	2,165,867	-	2,165,867	-
Pension related deferred inflows	529,363	20,321	549,684	-
<b>Total deferred inflows of resources</b>	<b>2,695,230</b>	<b>20,321</b>	<b>2,715,551</b>	<b>-</b>

(continued)

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	WBM Achievement Foundation
<b>Net Position</b>				
Net investment in capital assets	1,966,098	17,420	1,983,518	-
Restricted for:				
Categorical funding	195,958	-	195,958	-
Management levy purposes	446,789	-	446,789	-
Public education and recreation levy purposes	27,560	-	27,560	-
School infrastructure	1,109,024	-	1,109,024	-
Physical plant and equipment	483,584	-	483,584	-
Student activities	81,037	-	81,037	-
Foundation purposes	-	-	-	123,041
Unrestricted	(334,119)	(38,174)	(372,293)	-
<b>Total net position</b>	<b>\$ 3,975,931</b>	<b>(20,754)</b>	<b>3,955,177</b>	<b>123,041</b>

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa  
Statement of Activities  
Year ended June 30, 2015

		Program Revenues		
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,473,131	386,100	349,196	
Special instruction	618,841	21,446	54,499	-
Other instruction	507,469	159,585	58,990	-
	2,599,441	567,131	462,685	-
Support services:				
Student	118,470	-	12,071	-
Instructional staff	108,652	-	3,434	-
Administration	436,448	-	356	-
Operation and maintenance of plant	459,768	-	-	67,828
Transportation	239,735	-	2,475	-
	1,363,073	-	18,336	67,828
Non-instructional programs	6,263	-	-	-
Other expenditures:				
Facilities acquisition	24,536	-	-	-
AEA flowthrough	142,714	-	142,714	-
Depreciation (unallocated)*	130,394	-	-	-
	297,644	-	142,714	-
Total governmental activities	4,266,421	567,131	623,735	67,828
Business type activities:				
Non-instructional programs:				
Food service operations	197,267	112,155	90,083	8,218
Total business type activities	197,267	112,155	90,083	8,218
<b>Total primary government</b>	<b>\$ 4,463,688</b>	<b>679,286</b>	<b>713,818</b>	<b>76,046</b>
<b>Component Unit:</b>				
WBM Achievement Foundation	\$ 26,643	-	60,402	-
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Capital outlay				
Public education and recreation purposes				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	WBM Achievement Foundation
(737,835)	-	(737,835)	-
(542,896)	-	(542,896)	-
(288,894)	-	(288,894)	-
<u>(1,569,625)</u>	<u>-</u>	<u>(1,569,625)</u>	<u>-</u>
(106,399)	-	(106,399)	-
(105,218)	-	(105,218)	-
(436,092)	-	(436,092)	-
(391,940)	-	(391,940)	-
(237,260)	-	(237,260)	-
<u>(1,276,909)</u>	<u>-</u>	<u>(1,276,909)</u>	<u>-</u>
(6,263)	-	(6,263)	-
(24,536)	-	(24,536)	-
-	-	-	-
<u>(130,394)</u>	<u>-</u>	<u>(130,394)</u>	<u>-</u>
<u>(154,930)</u>	<u>-</u>	<u>(154,930)</u>	<u>-</u>
<u>(3,007,727)</u>	<u>-</u>	<u>(3,007,727)</u>	<u>-</u>
-	13,189	13,189	-
-	13,189	13,189	-
<u>(3,007,727)</u>	<u>13,189</u>	<u>(2,994,538)</u>	<u>-</u>
-	-	-	33,759
1,681,276	-	1,681,276	-
329,378	-	329,378	-
25,675	-	25,675	-
293,412	-	293,412	-
1,087,618	-	1,087,618	-
15,078	76	15,154	543
36,802	386	37,188	-
<u>3,469,239</u>	<u>462</u>	<u>3,469,701</u>	<u>543</u>
461,512	13,651	475,163	34,302
<u>3,514,419</u>	<u>(34,405)</u>	<u>3,480,014</u>	<u>88,739</u>
<u>\$ 3,975,931</u>	<u>(20,754)</u>	<u>3,955,177</u>	<u>123,041</u>

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 1,787,374	1,569,287	567,963	3,924,624
Receivables:				
Property tax:				
Delinquent	20,434	4,082	1,423	25,939
Succeeding year	1,714,213	334,955	116,699	2,165,867
Accounts	549	1,937	-	2,486
Due from other funds	1,483	-	-	1,483
Due from other governments	72,620	47,805	-	120,425
<b>Total assets</b>	<u>\$ 3,596,673</u>	<u>1,958,066</u>	<u>686,085</u>	<u>6,240,824</u>
 <b>Liabilities, Deferred Inflows of Resources And Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 254,772	30,503	171	285,446
Salaries and benefits payable	277,763	-	-	277,763
Early retirement payable	-	-	1,218	1,218
<b>Total liabilities</b>	<u>532,535</u>	<u>30,503</u>	<u>1,389</u>	<u>564,427</u>
 Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	<u>1,714,213</u>	<u>334,955</u>	<u>116,699</u>	<u>2,165,867</u>
 Fund balances:				
Restricted for:				
Categorical funding	195,958	-	-	195,958
Management levy purposes	-	-	459,400	459,400
Student activities	-	-	81,037	81,037
Public education and recreation levy purposes	-	-	27,560	27,560
School infrastructure	-	1,109,024	-	1,109,024
Physical plant and equipment	-	483,584	-	483,584
Committed for instructional supplies/programs and equipment	350,000	-	-	350,000
Unassigned	803,967	-	-	803,967
<b>Total fund balances</b>	<u>1,349,925</u>	<u>1,592,608</u>	<u>567,997</u>	<u>3,510,530</u>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <u>\$ 3,596,673</u>	 <u>1,958,066</u>	 <u>686,085</u>	 <u>6,240,824</u>

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit D

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

June 30, 2015

**Total fund balances of governmental funds (page 21 )** \$ 3,510,530

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,966,098

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	\$ 247,419	
Deferred inflows of resources	<u>(529,363)</u>	(281,944)

Long-term liabilities, including early retirement payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,285,323)

An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 66,570

**Net position of governmental activities (page 18)** \$ 3,975,931

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa  
Statement of Revenue, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2015

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,596,255	329,378	110,695	2,036,328
Tuition	386,091	-	-	386,091
Other	76,697	25,313	166,101	268,111
Intermediate sources	225	-	-	225
State sources	1,561,386	295,695	784	1,857,865
Federal sources	111,485	-	-	111,485
Total revenues	3,732,139	650,386	277,580	4,660,105
Expenditures:				
Current:				
Instruction:				
Regular	1,501,312	-	10,756	1,512,068
Special	632,126	-	-	632,126
Other	350,752	-	168,788	519,540
	2,484,190	-	179,544	2,663,734
Support services:				
Student	121,793	-	-	121,793
Instructional staff	44,649	65,974	-	110,623
Administration	408,217	13,814	26,141	448,172
Operation and maintenance of plant	329,198	145,833	27,915	502,946
Transportation	200,543	4,500	4,798	209,841
	1,104,400	230,121	58,854	1,393,375
Non-instructional programs	6,572	-	-	6,572
Other expenditures:				
Facilities acquisition	-	145,098	49,051	194,149
AEA flowthrough	142,714	-	-	142,714
	142,714	145,098	49,051	336,863
Total expenditures	3,737,876	375,219	287,449	4,400,544
Excess (deficiency) of revenues over (under) expenditures	(5,737)	275,167	(9,869)	259,561
Other financing sources (uses):				
Proceeds from insurance claim	-	67,828	-	67,828
Total other financing sources (uses)	-	67,828	-	67,828
Change in fund balances	(5,737)	342,995	(9,869)	327,389
Fund balances beginning of year	1,355,662	1,249,613	577,866	3,183,141
Fund balances end of year	\$ 1,349,925	1,592,608	567,997	3,510,530

See notes to financial statements.

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

Year ended June 30, 2015

**Change in fund balances - total governmental funds (page 23) \$ 327,389**

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

Expenditures for capital assets	\$ 216,164	
Depreciation expense	<u>(223,056)</u>	(6,892)

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. 182,344

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

Early retirement	9,481	
Pension expense	(70,295)	
Other postemployment benefits	<u>(16,260)</u>	(77,074)

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 35,745

**Change in net position of governmental activities (page 20) \$ 461,512**

Statement of Net Position  
Proprietary Fund

June 30, 2015

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 29,152	68,053
Accounts receivable	655	-
Inventories	8,140	-
Total current assets	<u>37,947</u>	<u>68,053</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	17,420	-
Total noncurrent assets	<u>17,420</u>	<u>-</u>
<b>Total assets</b>	<u>55,367</u>	<u>68,053</u>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	<u>9,499</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities:		
Salaries and benefits payable	12,738	-
Due to other funds	-	1,483
Unearned revenue	3,941	-
Total current liabilities	<u>16,679</u>	<u>1,483</u>
Noncurrent liabilities:		
Net pension liability	45,422	-
Net OPEB liability	3,198	-
Total noncurrent liabilities	<u>48,620</u>	<u>-</u>
<b>Total liabilities</b>	<u>65,299</u>	<u>1,483</u>
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	<u>20,321</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	17,420	-
Unrestricted	<u>(38,174)</u>	<u>66,570</u>
<b>Total net position</b>	<u>\$ (20,754)</u>	<u>66,570</u>

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit H

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

Year ended June 30, 2015

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 112,156	52,373
Miscellaneous	386	-
Total operating revenue	112,542	52,373
Operating expenses:		
Support services:		
Administration	-	16,628
Non-instructional programs:		
Salaries	75,239	-
Benefits	18,906	-
Purchased services	787	-
Supplies	101,002	-
Depreciation	1,333	-
Total operating expenses	197,267	16,628
Operating income (loss)	(84,725)	35,745
Non-operating revenues:		
State sources	1,670	-
Federal sources	88,412	-
Interest income	76	-
Total non-operating revenues	90,158	-
Income before capital asset contributions	5,433	35,745
Capital asset contributions	8,218	-
Increase in net position	13,651	35,745
Net position beginning of year, as restated	(34,405)	30,825
Net position end of year	\$ (20,754)	66,570

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2015

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities Internal Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 112,749	-
Cash received from miscellaneous operating activities	386	50,057
Cash paid to employees for services	(97,427)	(16,628)
Cash paid to suppliers for goods or services	(78,638)	-
Net cash provided by (used by) operating activities	(62,930)	33,429
Cash flows from non-capital financing activities:		
Interfund loans received (repaid)	-	1,483
State grants received	1,670	-
Federal grants received	68,174	-
Net cash provided by non-capital financing activities	69,844	1,483
Cash flows from investing activities:		
Interest on investments	76	-
Net increase in cash and cash equivalents	6,990	34,912
Cash and cash equivalents beginning of year	22,162	33,141
Cash and cash equivalents end of year	\$ 29,152	68,053

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2015

	Enterprise <u>Fund</u> School <u>Nutrition</u>	Governmental Activities Internal <u>Service Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:</b>		
Operating income (loss)	\$ (84,725)	35,745
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	20,238	-
Depreciation	1,333	-
(Increase) in accounts receivable	(13)	-
Decrease in inventories	2,913	-
(Decrease) in accounts payable	-	(2,316)
Increase in salaries and benefits payable	436	-
Increase in unearned revenue	606	-
(Decrease) in net pension liability	(21,815)	-
(Increase) in deferred outflows of resources	(2,807)	-
Increase in deferred inflows of resources	20,321	-
Increase in other postemployment benefits	583	-
	\$ (62,930)	33,429
Net cash provided by (used by) operating activities	\$ (62,930)	33,429

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

During the year ended June 30, 2015, the District received \$20,238 of federal commodities.

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit J

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2015

Agency

**Assets**

Cash \$ 2,840

**Total assets** 2,840

**Liabilities**

Other payables 2,840

**Total liabilities** 2,840

**Net position** \$ -

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

West Bend-Mallard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the cities of West Bend and Mallard, Iowa, and the predominate agricultural territory in Palo Alto, Kossuth, Pocahontas and Humboldt counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, West Bend-Mallard 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 financial statements present the West Bend-Mallard Community School District and its component unit, the West Bend-Mallard Achievement Foundation. The component unit, discussed below, is included in the District's reporting entity because of the nature and significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The West Bend-Mallard Achievement Foundation is a legally separate non-profit organization whose purpose is to maintain, develop, increase and extend the facilities and services of the West Bend-Mallard Community School District and to provide broader educational service opportunities to its students, graduates, staff, faculty, and the residents of the geographical area of which it serves.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2015

The records are maintained on the basis of cash receipts and disbursements. The West Bend-Mallard Achievement Foundation meets the definition of a component unit which should be discretely presented. The Foundation's financial statements have not been audited and we do not express an opinion on them.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of joint ventures since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto and Kossuth county assessor's conference boards.

B. Basis of Presentation

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

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

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or are 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 preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2015

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

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

The District reports the following major governmental funds:

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

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

The Districts' proprietary funds are the Enterprise, School Nutrition and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50 years
Improvements other than buildings	15-20 years
Furniture and equipment	5-10 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 expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave benefits payable to employees. Vacation must be used by June 30<sup>th</sup> of each year and sick leave does not vest, therefore, no liability has been recorded.

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

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

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

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

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

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

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education;

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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 Diversified Portfolio which are valued at an amortized cost of \$143,354 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standards & Poor's Financial Services.

**(3) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 32,592	---	---	32,592
Construction in progress	<u>4,174</u>	<u>---</u>	<u>(4,174)</u>	<u>---</u>
Total capital assets not being depreciated	<u>36,766</u>	<u>---</u>	<u>(4,174)</u>	<u>32,592</u>
Capital assets being depreciated:				
Buildings	3,945,663	185,273	---	4,130,936
Improvements other than buildings	122,554	16,736	---	139,290
Furniture and equipment	<u>3,953,553</u>	<u>20,954</u>	<u>(3,500)</u>	<u>3,971,007</u>
Total capital assets being depreciated	<u>8,021,770</u>	<u>222,963</u>	<u>(3,500)</u>	<u>8,241,233</u>
Less accumulated depreciation for:				
Buildings	2,506,868	104,287	---	2,611,155
Improvements other than buildings	87,249	3,049	---	90,298
Furniture and equipment	<u>3,491,429</u>	<u>115,720</u>	<u>(875)</u>	<u>3,606,274</u>
Total accumulated depreciation	<u>6,085,546</u>	<u>223,056</u>	<u>(875)</u>	<u>6,307,727</u>
Total capital assets being depreciated, net	<u>1,936,224</u>	<u>(93)</u>	<u>(2,625)</u>	<u>1,933,506</u>
Governmental activities capital assets, net	<u>\$ 1,972,990</u>	<u>(93)</u>	<u>(6,799)</u>	<u>1,966,098</u>

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	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 49,826	8,218	---	58,044
Less accumulated depreciation	<u>39,291</u>	<u>1,333</u>	<u>---</u>	<u>40,624</u>
Business type activities capital assets, net	<u>\$ 10,535</u>	<u>6,885</u>	<u>---</u>	<u>17,420</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 44,821
Other	2,629

Support services:

Administration	1,065
Operation and maintenance of plant	3,445
Transportation	<u>40,702</u>
	92,662

Unallocated	<u>130,394</u>
Total depreciation expense – governmental activities	<u>\$ 223,056</u>

Business type activities:

Food service operations	<u>\$ 1,333</u>
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**(4) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 22,092	---	9,481	12,611	7,312
Net pension liability	1,751,509	---	568,325	1,183,184	---
Net OPEB liability	<u>73,268</u>	<u>16,260</u>	<u>---</u>	<u>89,528</u>	<u>---</u>
Total	<u>\$ 1,846,869</u>	<u>16,260</u>	<u>577,806</u>	<u>1,285,323</u>	<u>7,312</u>

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Business type activities:	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
Net pension liability	\$67,239	---	21,817	45,422	---
Net OPEB liability	<u>2,615</u>	<u>583</u>	<u>---</u>	<u>3,198</u>	<u>---</u>
Total	<u>\$ 69,854</u>	<u>583</u>	<u>21,817</u>	<u>48,620</u>	<u>---</u>

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees retiring in fiscal 2010. Eligible employees must have completed ten years of continuous service to the District and must have reached the age of fifty-five prior to August 15 in the calendar year in which the early retirement commenced. Employees had to complete an application which was subject to approval by the Board of Education.

For employees retiring during the year ended June 30, 2010 the early retirement benefits equal \$25,000 plus \$100 for each year of service plus \$50 for each unused sick day up to 110 days. This benefit can be applied to current health insurance premiums, a lump sum payment or a combination of both. Employees may stay on the District's health insurance plan, but they must pay for the cost of the premiums.

The District offered a voluntary early retirement plan to its certified employees in fiscal 2013. Eligible employees must have completed twenty-five years of continuous service with the District and must be between age fifty-five and sixty-five on June 30, 2013. The benefit is equal to three and a half years of medical insurance coverage.

At June 30, 2015, the District had obligations to one participant with a total liability of \$12,611. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$9,143.

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**(5) Pension Plan**

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

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

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

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

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

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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 \$189,344.

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 \$1,228,606 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

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the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.0309792 percent, which was a decrease of 0.000697 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$72,992. 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	\$ 13,353	\$ -
Changes of assumptions	54,221	-
Net difference between projected and actual earnings on pension plan investments	-	468,555
Changes in proportion and differences between District contributions and proportionate share of contributions	-	81,129
District contributions subsequent to the measurement date	189,344	-
Total	\$ 256,918	\$ 549,684

\$189,344 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 <u>June 30,</u>	
2016	\$ (120,306)
2017	(120,306)
2018	(120,306)
2019	(120,306)
2020	(886)
Total	\$ (482,110)

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 2,321,416	\$ 1,228,606	\$ 306,161

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

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

**(6) Other Postemployment Benefits (OPEB)**

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 29 active and six retired members in the plan. Participants must be age 55 or older and have at least 10 years of service to the District at retirement.

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

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

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

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

Annual required contribution	\$ 30,353
Interest on net OPEB obligation	1,897
Adjustment to annual required contribution	<u>(6,212)</u>
Annual OPEB cost	26,038
Contributions made	<u>(9,195)</u>
Increase in net OPEB obligation	16,843
Net OPEB obligation beginning of year	<u>75,883</u>
Net OPEB obligation end of year	\$ 92,726

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

For the year ended June 30, 2015, the District contributed \$9,195 to the medical plan. Plan members eligible for benefits contributed \$0 of the premium costs.

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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 <u>June 30,</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$25,608	15.4%	\$ 59,945
2014	25,772	38.2%	75,883
2015	26,038	35.3%	92,726

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$145,854, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$145,854. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,333,000 and the ratio of the UAAL to covered payroll was 10.9%. 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2015

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$722 per month for retirees less than age 65 and \$129 per month for employees age 65 and older. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(7) Risk Management**

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

**(8) 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 \$142,714 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.

**(9) Operating Leases**

The West Bend-Mallard Community School District and the City of West Bend entered into an operating lease whereby the District agreed to lease to the City a portion of school grounds containing the swimming pool for a term of five years commencing April 17, 2012. The City shall pay one dollar per year for five years payable on or before each anniversary date, the first payment due April 17, 2012.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2015

On August 18, 2011 the District entered into an operating lease with Counsel Office and Document for one copier for a period of 60 months. The monthly payment amount is \$68.50 plus a charge for copies. The fixed future rentals are as follows:

Year Ending <u>June 30,</u>	
2016	822
2017	<u>69</u>
Total	<u>\$ 891</u>

On August 14, 2014 the District entered into an operating lease with Counsel Office and Document for one copier for a period of 24 months. The monthly payment amount is \$120.00 plus a charge for copies. The fixed future rentals are as follows:

Year Ending <u>June 30,</u>	
2016	1,440
2017	<u>120</u>
Total	<u>\$ 1,560</u>

On September 2, 2014 the District entered into an operating lease with Counsel Office and Document for one copier for a period of 60 months. The monthly payment amount is \$254.00 plus a charge for copies. The fixed future rentals are as follows:

Year Ending <u>June 30,</u>	
2016	3,048
2017	3,048
2018	3,048
2019	3,048
2020	<u>508</u>
Total	<u>\$ 12,700</u>

The total amount paid to Counsel Office and Document for the fiscal year ended June 30, 2015 was \$13,814.28.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2015

**(10) Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Preschool	\$ 35,724
Limited English	2,645
At-Risk	7,271
STEM	370
Teacher mentor	2,484
Teacher leader	407
Professional development – model core curriculum	33,238
Professional development	36,272
Gifted and Talented	5,416
Early readers	26,679
Dropout prevention	<u>45,452</u>
Total	<u>\$ 195,958</u>

**(11) Deficit Fund Balance**

The Enterprise, School Nutrition Fund had a deficit net position of \$20,754 at June 30, 2015.

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

**(12) Accounting Change/Restatement**

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

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2015

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 <u>Activities</u>	Business Type <u>Activities</u>
Net position June 30, 2014, as previously reported	\$ 5,091,596	26,142
Net pension liability at June 30, 2014	(1,751,509)	(67,239)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>174,332</u>	<u>6,692</u>
Net position July 1, 2014, as restated	\$ <u>3,514,419</u>	<u>(34,405)</u>

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

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

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

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2015

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

**(14) Subsequent Events**

Subsequent events have been evaluated through March 2, 2016 which is the date the financial statements were available to be issued.

On July 21, 2015, the District approved a whole grade sharing agreement with Gilmore City-Bradgate Community School District.

**Required Supplementary Information**

West Bend-Mallard Community School District  
West Bend, Iowa

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

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,690,530	112,618
Intermediate sources	225	-
State sources	1,857,865	1,670
Federal sources	<u>111,485</u>	<u>88,412</u>
Total revenues	<u>4,660,105</u>	<u>202,700</u>
Expenditures/Expenses:		
Instruction	2,663,734	-
Support services	1,393,375	-
Non-instructional programs	6,572	197,267
Other expenditures	<u>336,863</u>	<u>-</u>
Total expenditures/expenses	<u>4,400,544</u>	<u>197,267</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	259,561	5,433
Other financing sources, net	<u>67,828</u>	<u>8,218</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	327,389	13,651
Balances beginning of year	<u>3,183,141</u>	<u>(34,405)</u>
Balances end of year	<u>\$ 3,510,530</u>	<u>(20,754)</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
2,803,148	3,058,979	3,058,979	(255,831)
225	-	-	225
1,859,535	1,612,424	1,612,424	247,111
199,897	177,000	177,000	22,897
<u>4,862,805</u>	<u>4,848,403</u>	<u>4,848,403</u>	<u>14,402</u>
2,663,734	2,767,000	2,767,000	103,266
1,393,375	1,436,000	1,436,000	42,625
203,839	560,000	560,000	356,161
336,863	647,512	647,512	310,649
<u>4,597,811</u>	<u>5,410,512</u>	<u>5,410,512</u>	<u>812,701</u>
264,994	(562,109)	(562,109)	827,103
<u>76,046</u>	<u>-</u>	<u>-</u>	<u>76,046</u>
341,040	(562,109)	(562,109)	903,149
<u>3,209,283</u>	<u>2,397,484</u>	<u>2,397,484</u>	<u>811,799</u>
<u>3,550,323</u>	<u>1,835,375</u>	<u>1,835,375</u>	<u>1,714,948</u>

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

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

West Bend-Mallard Community School District

West Bend, Iowa

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

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

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.030979%
District's proportionate share of the net pension liability	\$ 1,229
District's covered-employee payroll	\$ 2,045
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.10%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report

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

West Bend-Mallard Community School District

West Bend, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 189	181	180
Contributions in relation to the statutorily required contribution	<u>(189)</u>	<u>(181)</u>	<u>(180)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 2,133	2,044	2,123
Contributions as a percentage of covered-employee payroll	8.86%	8.86%	8.48%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
165	137	145	129	140	129	127
<u>(165)</u>	<u>(137)</u>	<u>(145)</u>	<u>(129)</u>	<u>(140)</u>	<u>(129)</u>	<u>(127)</u>
-	-	-	-	-	-	-
2,083	2,116	2,208	2,103	2,394	2,314	2,276
7.92%	6.47%	6.57%	6.13%	5.85%	5.57%	5.58%

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

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

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

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

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

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

West Bend-Mallard Community School District  
 West Bend, Iowa  
 Schedule of Funding Progress for the  
 Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$188,015	188,015	0.0%	\$1,062,000	17.7%
2011	July 1, 2009	-	188,015	188,015	0.0%	1,118,000	16.8%
2012	July 1, 2009	-	188,015	188,015	0.0%	1,012,000	18.6%
2013	July 1, 2012	-	170,574	170,574	0.0%	1,231,000	13.9%
2014	July 1, 2012	-	162,942	162,942	0.0%	1,301,000	12.5%
2015	July 1, 2012	-	145,854	145,854	0.0%	1,333,000	10.9%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

	Special Revenue			
	Management	Student	Public Education and Recreation	Total
<b>Assets</b>	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Total</u>
Cash and cash equivalents	\$ 459,696	81,037	27,230	567,963
Receivables:				
Property tax:				
Delinquent	1,093	-	330	1,423
Succeeding year	<u>90,000</u>	<u>-</u>	<u>26,699</u>	<u>116,699</u>
<b>Total assets</b>	<u>\$ 550,789</u>	<u>81,037</u>	<u>54,259</u>	<u>686,085</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 171	-	-	171
Early retirement payable	<u>1,218</u>	<u>-</u>	<u>-</u>	<u>1,218</u>
Total liabilities	<u>1,389</u>	<u>-</u>	<u>-</u>	<u>1,389</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	<u>90,000</u>	<u>-</u>	<u>26,699</u>	<u>116,699</u>
Fund balances:				
Restricted for:				
Management levy purposes	459,400	-	-	459,400
Student activities	-	81,037	-	81,037
Public education and recreation levy purposes	-	-	<u>27,560</u>	<u>27,560</u>
Total fund balances	<u>459,400</u>	<u>81,037</u>	<u>27,560</u>	<u>567,997</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 550,789</u>	<u>81,037</u>	<u>54,259</u>	<u>686,085</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 2

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

Year ended June 30, 2015

	Special Revenue			
	Management	Student	Public Education and Recreation	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 85,020	-	25,675	110,695
Other	5,116	159,894	1,091	166,101
State sources	602	-	182	784
Total revenues	90,738	159,894	26,948	277,580
Expenditures:				
Current:				
Instruction:				
Regular	10,756	-	-	10,756
Other	-	168,788	-	168,788
	10,756	168,788	-	179,544
Support services:				
Administration	26,141	-	-	26,141
Operation and maintenance of plant	27,915	-	-	27,915
Transportation	4,798	-	-	4,798
	58,854	-	-	58,854
Other expenditures:				
Facilities acquisition	-	-	49,051	49,051
Total expenditures	69,610	168,788	49,051	287,449
Excess (deficiency) of revenues over (under) expenditures	21,128	(8,894)	(22,103)	(9,869)
Fund balances beginning of year	438,272	89,931	49,663	577,866
Fund balances end of year	\$ 459,400	81,037	27,560	567,997

See accompanying independent auditor's report.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
HS Athletics	\$ 15,849	73,055	78,262	-	10,642
Weightlifting	540	-	-	-	540
HS Padlock-Athletics	982	-	-	-	982
HS Towel Fees-Athletics	1,897	400	747	-	1,550
Dramatics	1,640	1,131	725	-	2,046
Annual	16,750	6,736	7,335	-	16,151
Class of:					
2013	41	-	-	-	41
2014	155	-	-	-	155
2015	1,463	449	1,912	-	-
2016	-	7,409	4,667	-	2,742
Vocal Music	681	-	550	-	131
Band	606	-	548	-	58
Swing Choir	2	-	2	-	-
Flagline	353	-	300	-	53
HS Cheerleading	530	1,395	1,920	-	5
Drill Team	5,425	12,815	13,881	-	4,359
FFA	7,766	33,985	31,407	-	10,344
Concession Stand	1,116	-	-	-	1,116
HS Student Council	5,467	3,506	5,907	-	3,066
WBM-TV	817	-	-	-	817
Home Economics	599	9,213	5,200	-	4,612
NOW Account Interest	2,359	309	981	-	1,687
HS Quiz Bowl	252	105	314	-	43
Elementary Classes	6,951	3,487	3,967	-	6,471
MS Industrial Ed	295	-	-	-	295
MS Quiz Bowl	1,142	-	30	-	1,112

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
MS Cheerleading	173	-	-	-	173
Four x Four Shop - Wood	1,226	4,435	5,307	-	354
Four x Four Shop - Motor	4,102	321	774	-	3,649
Spanish Club	6	-	-	-	6
Design Plus	1,389	10	44	-	1,355
Library	616	-	-	-	616
Business Club	567	-	-	-	567
MS Drama	95	315	283	-	127
MS Music	373	-	300	-	73
MS Programs	6,254	698	3,306	-	3,646
MS Student Council	1,452	120	119	-	1,453
Total	<u>\$ 89,931</u>	<u>159,894</u>	<u>168,788</u>	<u>-</u>	<u>81,037</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 4

Combining Balance Sheet  
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,075,104	494,183	1,569,287
Receivables:			
Property tax:			
Delinquent	-	4,082	4,082
Succeeding year	-	334,955	334,955
Accounts	-	1,937	1,937
Due from other governments	<u>47,805</u>	<u>-</u>	<u>47,805</u>
<b>Total assets</b>	<u>\$ 1,122,909</u>	<u>835,157</u>	<u>1,958,066</u>
<b>Liabilities, Deferred Inflows of Resources And Fund Balances</b>			
Liabilities:			
Accounts payable	<u>\$ 13,885</u>	<u>16,618</u>	<u>30,503</u>
Total liabilities	<u>13,885</u>	<u>16,618</u>	<u>30,503</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>334,955</u>	<u>334,955</u>
Fund balances:			
Restricted for:			
School infrastructure	1,109,024	-	1,109,024
Physical plant and equipment	<u>-</u>	<u>483,584</u>	<u>483,584</u>
Total fund balances	<u>1,109,024</u>	<u>483,584</u>	<u>1,592,608</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 1,122,909</u>	<u>835,157</u>	<u>1,958,066</u>

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 5

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

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	329,378	329,378
Other	11,406	13,907	25,313
State sources	<u>293,412</u>	<u>2,283</u>	<u>295,695</u>
Total revenues	<u>304,818</u>	<u>345,568</u>	<u>650,386</u>
Expenditures:			
Support services:			
Instructional staff	-	65,974	65,974
Administration	-	13,814	13,814
Operation and maintenance of plant	-	145,833	145,833
Transportation	-	4,500	4,500
Other expenditures:			
Facilities acquisition	<u>58,155</u>	<u>86,943</u>	<u>145,098</u>
Total expenditures	<u>58,155</u>	<u>317,064</u>	<u>375,219</u>
Excess of revenues over expenditures	246,663	28,504	275,167
Other financing sources:			
Proceeds from insurance claims	<u>-</u>	<u>67,828</u>	<u>67,828</u>
Total other financing sources	<u>-</u>	<u>67,828</u>	<u>67,828</u>
Excess of revenues and other financing sources over expenditures	246,663	96,332	342,995
Fund balances beginning of year	<u>862,361</u>	<u>387,252</u>	<u>1,249,613</u>
Fund balances end of year	<u>\$ 1,109,024</u>	<u>483,584</u>	<u>1,592,608</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 6

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Cash	\$ 1,887	3,622	2,669	2,840
<b>Total assets</b>	<u>\$ 1,887</u>	<u>3,622</u>	<u>2,669</u>	<u>2,840</u>
<b>Liabilities</b>				
Other payables	\$ 1,887	3,622	2,669	2,840
<b>Total liabilities</b>	<u>\$ 1,887</u>	<u>3,622</u>	<u>2,669</u>	<u>2,840</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District  
West Bend, Iowa

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

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 2,036,328	1,970,112	2,141,813	2,347,631
Tuition	386,091	391,198	311,486	350,528
Other	268,111	267,635	267,217	251,466
Intermediate sources	225	-	600	-
State sources	1,857,865	1,798,317	1,472,836	1,335,241
Federal sources	111,485	124,376	138,655	146,733
Total	<u>\$ 4,660,105</u>	<u>4,551,638</u>	<u>4,332,607</u>	<u>4,431,599</u>
Expenditures:				
Instruction:				
Regular	\$ 1,512,068	1,501,998	1,647,075	1,534,018
Special	632,126	575,329	587,115	531,576
Other	519,540	500,536	436,251	476,314
Support services:				
Student	121,793	51,400	81,587	114,942
Instructional staff	110,623	130,160	102,946	59,117
Administration	448,172	439,787	454,195	415,758
Operation and maintenance of plant	502,946	384,000	316,108	330,448
Transportation	209,841	280,221	244,747	210,867
Non-instructional programs	6,572	4,166	5,327	3,445
Other expenditures:				
Facilities acquisition	194,149	207,216	182,856	320,154
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
AEA flowthrough	142,714	137,134	133,573	130,217
Total	<u>\$ 4,400,544</u>	<u>4,211,947</u>	<u>4,191,780</u>	<u>4,126,856</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
2,218,761	2,503,273	2,486,074	2,329,743	2,350,050	2,121,619
309,043	279,735	255,954	257,180	222,499	212,765
196,254	224,016	259,149	273,386	259,385	265,862
-	-	-	1,366	18,811	-
1,471,679	1,256,291	1,527,841	1,431,883	1,278,799	1,359,995
366,982	246,546	120,809	106,540	143,135	274,407
<u>4,562,719</u>	<u>4,509,861</u>	<u>4,649,827</u>	<u>4,400,098</u>	<u>4,272,679</u>	<u>4,234,648</u>
1,575,349	1,602,691	1,437,769	1,606,470	1,550,115	1,397,220
525,557	575,468	549,038	498,462	452,149	448,412
475,969	515,811	444,176	603,603	696,849	742,600
96,786	217,956	90,298	110,453	75,326	78,421
45,814	46,312	38,157	52,549	61,647	123,896
385,887	356,752	387,146	599,540	538,976	568,338
332,816	317,397	387,426	380,714	375,856	376,979
221,464	355,451	238,288	252,249	236,740	225,673
4,209	4,558	5,162	5,143	3,286	18,774
194,201	151,715	232,626	508,374	333,210	247,033
134,000	134,000	-	-	-	-
2,680	8,040	4,318	-	-	-
146,811	145,131	127,371	121,327	117,836	115,152
<u>4,141,543</u>	<u>4,431,282</u>	<u>3,941,775</u>	<u>4,738,884</u>	<u>4,441,990</u>	<u>4,342,498</u>

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

## Certified Public Accountants

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

To the Board of Education of  
West Bend-Mallard Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 2, 2016. Our report expressed unmodified opinions on the financial statements except for a disclaimer of opinion on the component unit, West Bend-Mallard Achievement Foundation, which was not audited.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Bend-Mallard 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 which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### West Bend-Mallard Community School District's Responses to the Findings

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

Purpose of this Report

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

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

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

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

March 2, 2016

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2015

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

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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 currently available staff, including elected officials.

Response - We are continuing to review our procedures and implement additional controls where possible.

Conclusion - Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

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

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2015

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

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

Conclusion – Response accepted.

I-C-15 Disbursement Approval – For one of the disbursements tested, there was no evidence of Board approval.

Recommendation – The District should ensure all expenditures are properly approved. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – We will ensure all expenditures are properly approved.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2015

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015, did not exceed the amounts budgeted.
- II-B-15 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jill Hansen, Board Member Owner – Hansen Chiropractic Clinic	Physicals	\$ 45
Mark Collins, Board Member Owner – Wolverine Wash	Car Wash Tokens	\$ 1,200

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board Members, Hansen and Collins do not appear to be a conflict of interest.

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.
- II-F-15 Board Minutes – As previously noted, one disbursement requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2015

Response – All disbursements will be approved by the Board.

Conclusion – Response accepted.

- II-G-15 Certified Enrollment - The number of students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2014 was overstated. The District counted one student that should not have been included.

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

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

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

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

- II-J-15 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2015

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		\$ 862,361
Revenues/transfers in:		
Sales tax revenues	\$ 293,412	
Other local revenues	<u>11,406</u>	<u>304,818</u>
		1,167,179
Expenditures/transfers out:		
School infrastructure construction	<u>58,155</u>	<u>58,155</u>
Ending balance		\$ <u><u>1,109,024</u></u>

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

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

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

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

Conclusion - Response accepted.