

WEST HARRISON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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**West Harrison Community School District**

**Officials**

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

Brent Olson	President	2015
Jennifer Thomas	Vice-President	2017
Randy Wohlers	Board Member	2017
Mary Cumming	Board Member	2015
David Baxter	Board Member	2017

**School Officials**

Lyle Schwartz	Superintendent	2015
Jane Roden	Board Secretary/Treasurer	2015
Ahlers & Cooney, P.C.	Attorney	2015

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison 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 14 to the financial statements, West Harrison Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 Harrison 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 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2016, on our consideration of West Harrison 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 Harrison Community School District's internal control over financial reporting and compliance.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2016  
Newton, Iowa

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

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

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,812,806 in fiscal year 2014 to \$4,621,187 in fiscal year 2015. General Fund expenditures decreased from \$4,777,283 in fiscal year 2014 to \$4,418,940 in fiscal year 2015. The District's General Fund balance increased from \$959,508 at June 30, 2014 to \$1,161,755 at June 30, 2015, a 21.08% increase from the prior year.
- The decrease in General Fund revenues was attributable to decreases in state source revenues received as compared to the previous year. The decrease in expenditures can be attributed to a decrease in the instruction expenditures incurred compared to the prior year.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of West Harrison 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 Harrison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which West Harrison Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the non-major funds.

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

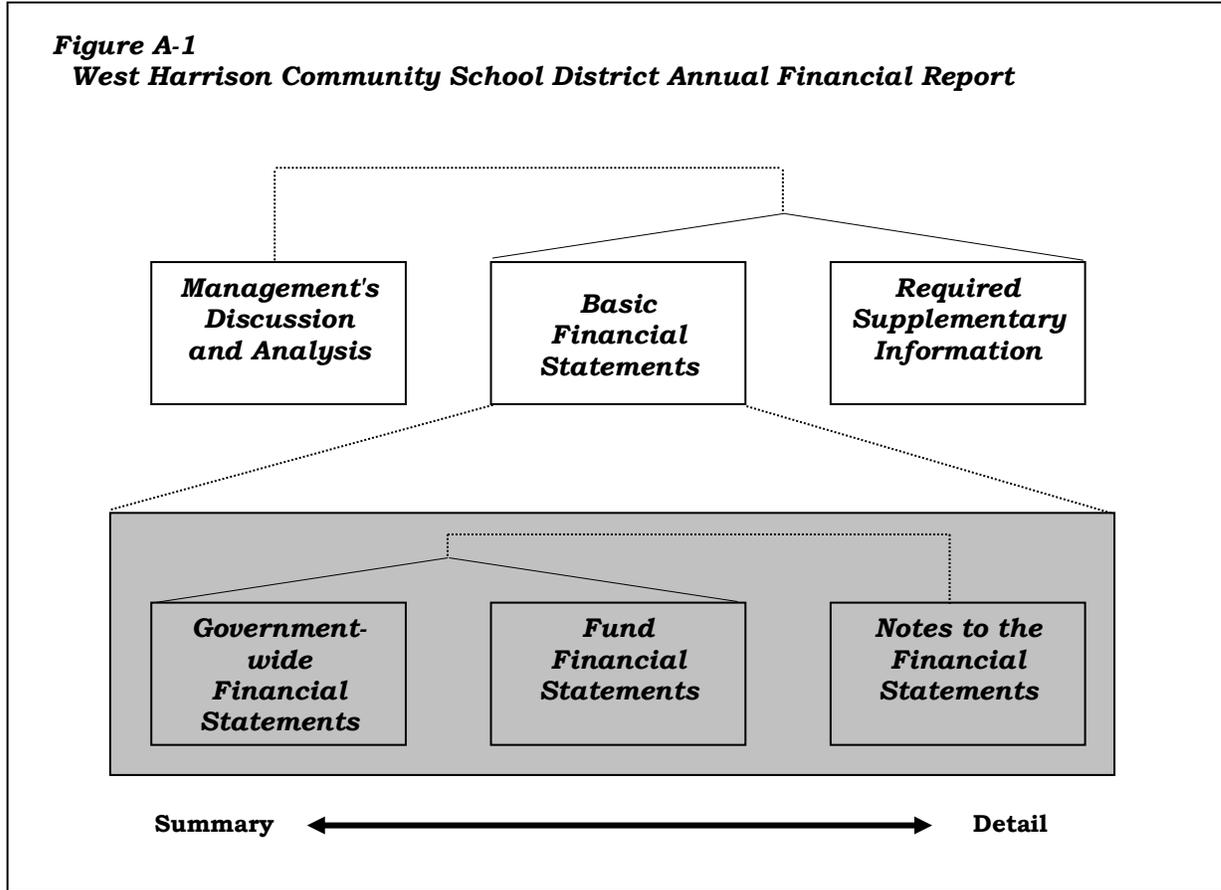


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the 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,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 5,065,891	4,971,726	74,844	78,058	5,140,735	5,049,784	1.80%
Capital assets	5,634,670	5,581,662	20,841	23,390	5,655,511	5,605,052	0.90%
Total assets	10,700,561	10,553,388	95,685	101,448	10,796,246	10,654,836	1.33%
Deferred outflows of resources	304,459	-	8,763	-	313,222	-	100.00%
Long-term liabilities	2,766,638	1,122,823	45,715	-	2,812,353	1,122,823	150.47%
Other liabilities	538,666	443,993	7,328	13,898	545,994	457,891	19.24%
Total liabilities	3,305,304	1,566,816	53,043	13,898	3,358,347	1,580,714	112.46%
Deferred inflows of resources	3,373,144	2,472,409	24,881	-	3,398,025	2,472,409	37.44%
Net position:							
Net investment in capital assets	4,634,670	4,581,662	20,841	23,390	4,655,511	4,605,052	1.10%
Restricted	886,251	1,099,640	-	-	886,251	1,099,640	-19.41%
Unrestricted	(1,194,349)	832,861	5,683	64,160	(1,188,666)	897,021	-232.51%
Total net position	\$ 4,326,572	6,514,163	26,524	87,550	4,353,096	6,601,713	-34.06%

The District's combined net position decreased by 34.06%, or \$2,248,617, from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$213,389, or 19.41% from the prior year. The decrease in restricted net position is attributable to a decrease in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund as compared to the previous 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 \$2,085,687 or 232.51%. The decrease in unrestricted net position was primarily due to the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,374,773 and \$66,400, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 225,096	267,863	95,579	109,310	320,675	377,173	-14.98%
Operating grants, contributions and restricted interest	543,183	487,017	113,931	114,736	657,114	601,753	9.20%
General revenues:							
Property tax	2,472,257	2,238,471	-	-	2,472,257	2,238,471	10.44%
Income surtax	114,579	128,911	-	-	114,579	128,911	-11.12%
Statewide sales, services and use tax	359,009	364,804	-	-	359,009	364,804	-1.59%
Unrestricted state grants	1,655,509	1,931,944	-	-	1,655,509	1,931,944	-14.31%
Unrestricted investment earnings	6,728	5,529	18	13	6,746	5,542	21.73%
Other	-	4,585	3	60	3	4,645	-99.94%
Total revenues	<u>5,376,361</u>	<u>5,429,124</u>	<u>209,531</u>	<u>224,119</u>	<u>5,585,892</u>	<u>5,653,243</u>	<u>-1.19%</u>
Program expenses:							
Instruction	3,073,328	3,287,924	-	-	3,073,328	3,287,924	-6.53%
Support services	1,746,398	1,865,336	3,222	347	1,749,620	1,865,683	-6.22%
Non-instructional programs	-	-	200,935	217,654	200,935	217,654	-7.68%
Other expenses	369,453	362,416	-	-	369,453	362,416	1.94%
Total expenses	<u>5,189,179</u>	<u>5,515,676</u>	<u>204,157</u>	<u>218,001</u>	<u>5,393,336</u>	<u>5,733,677</u>	<u>-5.94%</u>
Excess(Deficiency) of revenues over(under) expenses	187,182	(86,552)	5,374	6,118	192,556	(80,434)	-339.40%
Transfers	-	(20,042)	-	20,042	-	-	0.00%
Change in net position	187,182	(106,594)	5,374	26,160	192,556	(80,434)	-339.40%
Net position beginning of year, as restated	<u>4,139,390</u>	<u>6,620,757</u>	<u>21,150</u>	<u>61,390</u>	<u>4,160,540</u>	<u>6,682,147</u>	<u>-37.74%</u>
Net position end of year	<u>\$ 4,326,572</u>	<u>6,514,163</u>	<u>26,524</u>	<u>87,550</u>	<u>4,353,096</u>	<u>6,601,713</u>	<u>-34.06%</u>

In fiscal year 2015, property tax and unrestricted state grants accounted for 76.78% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for nearly all of the revenue from business type activities. The District's total revenues were approximately \$5.59 million, of which approximately \$5.38 million was for governmental activities and approximately \$0.21 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.19% decrease in revenues and a 5.94% decrease in expenses. The decrease in revenues is primarily due to a decrease in unrestricted state grants received compared to the prior year. The decrease in expenses is related primarily to a decrease in instruction expenses incurred during the year as compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$5,376,361 and expenses were \$5,189,179 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 3,073,328	3,287,924	-6.53%	2,489,151	2,739,014	-9.12%
Support services	1,746,398	1,865,336	-6.38%	1,742,046	1,841,651	-5.41%
Other expenses	369,453	362,416	1.94%	189,703	180,131	5.31%
Totals	\$ 5,189,179	5,515,676	-5.92%	4,420,900	4,760,796	-7.14%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$225,096.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$543,183.
- The net cost of governmental activities was financed with \$2,472,257 in property tax, \$114,579 in income surtax, \$359,009 in statewide sales and services and use tax, \$1,655,509 in unrestricted state grants and \$6,728 in interest income.

### Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$209,531, representing a 6.51% decrease from the prior year, while expenses were \$204,157, a 6.35% decrease from the prior year. The District's business type activities include the School Nutrition and Wellness Center Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

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## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the West Harrison 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 the District completed the year, its governmental funds reported combined fund balances of \$1,933,769, below last year's ending fund balances of a \$1,958,803. The primary reason for the decrease in combined fund balances is due to the decrease in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the product of many factors. The District's General Fund balance increased from \$959,508 at June 30, 2014 to \$1,161,755 at June 30, 2015. The primary reason for the increase in fund balance is attributable to the decrease in instruction expenses incurred as compared to the prior year.
- The Capital Projects Fund balance decreased from \$594,933 at June 30, 2014 to \$329,014 at June 30, 2015. The decrease was primarily due to the increase in capital outlay and equipment expenditures incurred as compared to the previous year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from a restated net position of \$14,860 at July 1, 2014 to \$19,788 at June 30, 2015, representing an increase of 33.16%. The increase is partly due to the decrease in supply expenditures incurred compared to the previous year. The Wellness Center Fund net position increased from \$6,290 at June 30, 2014 to \$6,736 at June 30, 2015, representing an increase of 7.09%. The increase is due to an increase in charges for service revenues received as compared to the prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, West Harrison Community School District amended its budget one time to reflect additional expenditures associated with unanticipated building projects.

The District's revenues were \$47,810 less than budgeted revenues, a variance of 0.85%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$5,655,511, 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 increase of 0.90% from the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$341,435.

The original cost of the District's capital assets was \$9,891,809. Governmental funds accounted for \$9,821,552 with the remainder of \$70,257 in the Enterprise: Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category which was \$334,622 at June 30, 2015 compared to \$348,803 at June 30, 2014. The decrease that occurred during the year is attributable depreciation expenses incurred during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 20,000	20,000	-	-	20,000	20,000	0.00%
Buildings	4,659,374	4,575,328	-	-	4,659,374	4,575,328	1.84%
Land improvements	641,515	660,921	-	-	641,515	660,921	-2.94%
Machinery and equipment	313,781	325,413	20,841	23,390	334,622	348,803	-4.07%
Total	\$ 5,634,670	5,581,662	20,841	23,390	5,655,511	5,605,052	0.90%

### Long-Term Debt

At June 30, 2015, the District had \$2,812,353 in long-term debt outstanding. This represents an increase of 150.47% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had outstanding qualified zone academy bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$1,000,000 at June 30, 2015.
- The District had total net pension liability of \$1,680,694 at June 30, 2015. Of this, \$1,634,979 is attributable to governmental activities with the remaining \$45,715 attributable to the business activities of the District.
- The District had net OPEB liability attributed to governmental activities of \$131,659 at June 30, 2015.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Qualified zone academy bonds	\$ 1,000,000	1,000,000	-	-	1,000,000	1,000,000	0.00%
Net pension liability	1,634,979	-	45,715	-	1,680,694	-	100.00%
Net OPEB liability	131,659	122,823	-	-	131,659	122,823	7.19%
Totals	\$ 2,766,638	1,122,823	45,715	-	2,812,353	1,122,823	150.47%

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

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

- The District has experienced decreased enrollment over the last several years and the District is projecting a steady decline for the next several years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The Administration and the Board of Education will continue to reduce expenditures and explore sharing arrangements to offset the reduction of income due to declining enrollment. The District currently shares transportation director, maintenance director and superintendent through the state's operational sharing program.

## **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 Jane Roden, Board Secretary/Treasurer, West Harrison Community School District, 410 Pine Street, Mondamin, Iowa, 51557.

## **BASIC FINANCIAL STATEMENTS**

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,300,820	63,562	2,364,382
Receivables:			
Property tax:			
Delinquent	36,490	-	36,490
Succeeding year	2,483,279	-	2,483,279
Income surtax	110,177	-	110,177
Accounts	5,058	-	5,058
Due from other governments	130,067	-	130,067
Inventories	-	11,282	11,282
Capital assets, net of accumulated depreciation	5,634,670	20,841	5,655,511
<b>Total assets</b>	<b>10,700,561</b>	<b>95,685</b>	<b>10,796,246</b>
<b>Deferred outflows of resources</b>			
Pension related deferred outflows	304,459	8,763	313,222
<b>Liabilities</b>			
Accounts payable	138,870	3,222	142,092
Salaries and benefits payable	399,796	-	399,796
Unearned revenue	-	4,106	4,106
Long-term liabilities:			
Portion due after one year:			
QZAB bonds payable	1,000,000	-	1,000,000
Net pension liability	1,634,979	45,715	1,680,694
Net OPEB liability	131,659	-	131,659
<b>Total liabilities</b>	<b>3,305,304</b>	<b>53,043</b>	<b>3,358,347</b>
<b>Deferred inflows of resources</b>			
Unavailable property tax revenue	2,483,279	-	2,483,279
Pension related deferred inflows	889,865	24,881	914,746
<b>Total deferred inflows of resources</b>	<b>3,373,144</b>	<b>24,881</b>	<b>3,398,025</b>
<b>Net position:</b>			
Net investment in capital assets	4,634,670	20,841	4,655,511
Restricted for:			
Categorical funding	114,237	-	114,237
Student activities	18,995	-	18,995
Management levy purposes	118,535	-	118,535
Expendable trust	2,797	-	2,797
Debt service	302,673	-	302,673
School infrastructure	195,260	-	195,260
Physical plant and equipment	133,754	-	133,754
Unrestricted	(1,194,349)	5,683	(1,188,666)
<b>Total net position</b>	<b>\$ 4,326,572</b>	<b>26,524</b>	<b>4,353,096</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense)Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,748,232	77,560	125,225	(1,545,447)	-	(1,545,447)
Special	589,904	37,119	106,668	(446,117)	-	(446,117)
Other	735,192	106,065	131,540	(497,587)	-	(497,587)
	<u>3,073,328</u>	<u>220,744</u>	<u>363,433</u>	<u>(2,489,151)</u>	<u>-</u>	<u>(2,489,151)</u>
Support services:						
Student	213,377	-	-	(213,377)	-	(213,377)
Instructional staff	153,030	-	-	(153,030)	-	(153,030)
Administration	402,810	1,397	-	(401,413)	-	(401,413)
Operation and maintenance of plant	582,122	-	-	(582,122)	-	(582,122)
Transportation	395,059	2,955	-	(392,104)	-	(392,104)
	<u>1,746,398</u>	<u>4,352</u>	<u>-</u>	<u>(1,742,046)</u>	<u>-</u>	<u>(1,742,046)</u>
Other expenditures:						
AEA flowthrough	179,750	-	179,750	-	-	-
Depreciation(unallocated)*	189,703	-	-	(189,703)	-	(189,703)
	<u>369,453</u>	<u>-</u>	<u>179,750</u>	<u>(189,703)</u>	<u>-</u>	<u>(189,703)</u>
Total governmental activities	<u>5,189,179</u>	<u>225,096</u>	<u>543,183</u>	<u>(4,420,900)</u>	<u>-</u>	<u>(4,420,900)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	3,222	-	-	-	(3,222)	(3,222)
Non-instructional programs:						
Food service operations	200,935	95,579	113,931	-	8,575	8,575
Total business type activities	<u>204,157</u>	<u>95,579</u>	<u>113,931</u>	<u>-</u>	<u>5,353</u>	<u>5,353</u>
Total	<u>\$ 5,393,336</u>	<u>320,675</u>	<u>657,114</u>	<u>(4,420,900)</u>	<u>5,353</u>	<u>(4,415,547)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 2,398,832	-	2,398,832
Capital outlay				73,425	-	73,425
Income surtax				114,579	-	114,579
Statewide sales, services and use tax				359,009	-	359,009
Unrestricted state grants				1,655,509	-	1,655,509
Unrestricted investment earnings				6,728	18	6,746
Other				-	3	3
Total general revenues				<u>4,608,082</u>	<u>21</u>	<u>4,608,103</u>
Change in net position				187,182	5,374	192,556
Net position beginning of year, as restated				<u>4,139,390</u>	<u>21,150</u>	<u>4,160,540</u>
Net position end of year				<u>\$ 4,326,572</u>	<u>26,524</u>	<u>4,353,096</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,519,753	349,533	431,534	2,300,820
Receivables:				
Property tax:				
Delinquent	32,232	1,085	3,173	36,490
Succeeding year	2,128,634	74,645	280,000	2,483,279
Income surtax	110,177	-	-	110,177
Accounts	5,058	-	-	5,058
Due from other governments	64,825	56,116	9,126	130,067
<b>Total assets</b>	<b>\$ 3,860,679</b>	<b>481,379</b>	<b>723,833</b>	<b>5,065,891</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
Liabilities:				
Accounts payable	\$ 60,317	77,720	833	138,870
Salaries and benefits payable	399,796	-	-	399,796
<b>Total liabilities</b>	<b>460,113</b>	<b>77,720</b>	<b>833</b>	<b>538,666</b>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,128,634	74,645	280,000	2,483,279
Income surtax	110,177	-	-	110,177
<b>Total deferred inflows of resources</b>	<b>2,238,811</b>	<b>74,645</b>	<b>280,000</b>	<b>2,593,456</b>
Fund balances:				
Restricted for:				
Categorical funding	114,237	-	-	114,237
Student activities	-	-	18,995	18,995
Management levy purposes	-	-	118,535	118,535
Expendable trust	-	-	2,797	2,797
Debt service	-	-	302,673	302,673
School infrastructure	-	195,260	-	195,260
Physical plant and equipment	-	133,754	-	133,754
Unassigned	1,047,518	-	-	1,047,518
<b>Total fund balances</b>	<b>1,161,755</b>	<b>329,014</b>	<b>443,000</b>	<b>1,933,769</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,860,679</b>	<b>481,379</b>	<b>723,833</b>	<b>5,065,891</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>		\$	1,933,769
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			5,634,670
Accounts receivable income surtax are not yet available to finance expenditures of the current year and, therefore, are recognized as deferred inflows of resources in the governmental funds.			110,177
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	\$	304,459	
Deferred inflows of resources		<u>(889,865)</u>	(585,406)
Long-term liabilities, including qualified zone academy bonds, other postemployment benefits and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.			<u>(2,766,638)</u>
<b>Net position of governmental activities(page 18)</b>		<u>\$</u>	<u><u>4,326,572</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,284,769	73,425	214,986	2,573,180
Tuition	106,393	-	-	106,393
Other	95,948	309	97,083	193,340
State sources	1,905,045	359,206	368	2,264,619
Federal sources	225,173	-	-	225,173
Total revenues	<u>4,617,328</u>	<u>432,940</u>	<u>312,437</u>	<u>5,362,705</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,659,458	14,980	76,305	1,750,743
Special	596,127	-	-	596,127
Other	587,911	-	94,796	682,707
	<u>2,843,496</u>	<u>14,980</u>	<u>171,101</u>	<u>3,029,577</u>
Support services:				
Student	201,551	-	-	201,551
Instructional staff	127,922	35,330	-	163,252
Administration	420,692	14,632	-	435,324
Operation and maintenance of plant	377,035	37,427	148,729	563,191
Transportation	268,494	134,017	11,472	413,983
	<u>1,395,694</u>	<u>221,406</u>	<u>160,201</u>	<u>1,777,301</u>
Capital outlay	-	404,970	-	404,970
Other expenditures:				
AEA flowthrough	179,750	-	-	179,750
Total expenditures	<u>4,418,940</u>	<u>641,356</u>	<u>331,302</u>	<u>5,391,598</u>
Excess(Deficiency) of revenues over(under) expenditures	<u>198,388</u>	<u>(208,416)</u>	<u>(18,865)</u>	<u>(28,893)</u>
Other financing sources(uses):				
Insurance proceeds	2,714	-	-	2,714
Proceeds from sale of equipment	1,145	-	-	1,145
Transfer in	-	-	57,503	57,503
Transfer out	-	(57,503)	-	(57,503)
Total other financing sources(uses)	<u>3,859</u>	<u>(57,503)</u>	<u>57,503</u>	<u>3,859</u>
Change in fund balances	202,247	(265,919)	38,638	(25,034)
Fund balances beginning of year	<u>959,508</u>	<u>594,933</u>	<u>404,362</u>	<u>1,958,803</u>
Fund balances end of year	<u>\$ 1,161,755</u>	<u>329,014</u>	<u>443,000</u>	<u>1,933,769</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds(page 22)** \$ (25,034)

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

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

Capital outlay	\$ 391,894	
Depreciation expense	<u>(338,886)</u>	53,008

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 13,656

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position. 214,535

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:

Pension expense	(60,147)	
Other postemployment benefits	<u>(8,836)</u>	<u>(68,983)</u>

**Change in net position of governmental activities(page 19)** \$ 187,182

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

	Enterprise Funds		
	School Nutrition	Wellness Center	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 53,604	9,958	63,562
Inventories	11,282	-	11,282
Noncurrent assets:			
Capital assets, net of accumulated depreciation	20,841	-	20,841
<b>Total assets</b>	<b>85,727</b>	<b>9,958</b>	<b>95,685</b>
<b>Deferred outflows of resources</b>			
Pension related deferred outflows	8,763	-	8,763
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	3,222	3,222
Unearned revenue	4,106	-	4,106
Total current liabilities	4,106	3,222	7,328
Noncurrent liabilities:			
Net pension liability	45,715	-	45,715
<b>Total liabilities</b>	<b>49,821</b>	<b>3,222</b>	<b>53,043</b>
<b>Deferred inflows of resources</b>			
Pension related deferred inflows	24,881	-	24,881
<b>Net position</b>			
Net investment in capital assets	20,841	-	20,841
Unrestricted	(1,053)	6,736	5,683
<b>Total net position</b>	<b>\$ 19,788</b>	<b>6,736</b>	<b>26,524</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise Funds		
	School Nutrition	Wellness Center	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 91,911	3,668	95,579
Miscellaneous	3	-	3
Total operating revenues	91,914	3,668	95,582
Operating expenses:			
Support services:			
Operation and maintenance of plant:			
Supplies	-	3,222	3,222
Non-instructional programs:			
Food service operations:			
Salaries	79,463	-	79,463
Benefits	10,468	-	10,468
Services	506	-	506
Supplies	107,949	-	107,949
Depreciation	2,549	-	2,549
Total operating expenses	200,935	3,222	204,157
Operating income(loss)	(109,021)	446	(108,575)
Non-operating revenues:			
State sources	1,588	-	1,588
Federal sources	112,343	-	112,343
Interest on investments	18	-	18
Total non-operating revenues	113,949	-	113,949
Change in net position	4,928	446	5,374
Net position beginning of year, as restated	14,860	6,290	21,150
Net position end of year	\$ 19,788	6,736	26,524

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	School Nutrition	Wellness Center	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 93,515	-	93,515
Cash received from wellness services	-	3,668	3,668
Cash received from miscellaneous	3	-	3
Cash payments to employees for services	(94,498)	-	(94,498)
Cash payments to suppliers for goods or services	(107,414)	-	(107,414)
Net cash provided by(used in) operating activities	(108,394)	3,668	(104,726)
Cash flows from non-capital financing activities:			
State grants received	1,588	-	1,588
Federal grants received	95,570	-	95,570
Net cash provided by non-capital financing activities	97,158	-	97,158
Cash flows from investing activities:			
Interest on investments	18	-	18
Net increase(decrease) in cash and pooled investments	(11,218)	3,668	(7,550)
Cash and pooled investments beginning of year	64,822	6,290	71,112
Cash and pooled investments end of year	\$ 53,604	9,958	63,562
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>			
Operating income(loss)	\$ (109,021)	446	(108,575)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities used	16,773	-	16,773
Depreciation	2,549	-	2,549
Increase in inventories	(4,336)	-	(4,336)
Increase(decrease) in accounts payable	(11,396)	3,222	(8,174)
Decrease in net pension liability	(27,421)	-	(27,421)
Increase in deferred outflows of resources	(2,027)	-	(2,027)
Increase in deferred inflows of resources	24,881	-	24,881
Increase in unearned revenue	1,604	-	1,604
Net cash provided by(used in) operating activities	\$ (108,394)	3,668	(104,726)

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

During the year ended June 30, 2015, the District received federal commodities valued at \$16,773.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 20,569
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Held in trust for scholarships	<u>\$ 20,569</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$          17,500</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>                  13,000</u>
Change in net position	4,500
Net position beginning of year	<u>                  16,069</u>
Net position end of year	<u><u>\$          20,569</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

The West Harrison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Mondamin, Iowa, and the predominately agricultural territory in Harrison and Monona 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 Harrison 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 West Harrison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary funds:

The District's proprietary funds include the enterprise School Nutrition and Wellness Center Funds. The Nutrition Fund is used to account for the food service operations of the District.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Cash, Pooled Investments and Cash Equivalents** - The cash 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.

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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.

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

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

Unassigned - All amounts not included in other spendable classifications.

#### **E. Budgeting and Budgetary Control**

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

#### **Note 2. Cash and Pooled Investments**

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,338,535 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 57,503

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for the annual sinking payment on the District's QZAB indebtedness.

**Note 4. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 20,000	-	-	20,000
Total capital assets not being depreciated	20,000	-	-	20,000
Capital assets being depreciated:				
Buildings	7,113,645	229,356	-	7,343,001
Land improvements	929,465	21,054	-	950,519
Machinery and equipment	1,436,226	141,484	69,678	1,508,032
Total capital assets being depreciated	9,479,336	391,894	69,678	9,801,552
Less accumulated depreciation for:				
Buildings	2,538,317	145,310	-	2,683,627
Land improvements	268,544	40,460	-	309,004
Machinery and equipment	1,110,813	153,116	69,678	1,194,251
Total accumulated depreciation	3,917,674	338,886	69,678	4,186,882
Total capital assets being depreciated, net	5,561,662	53,008	-	5,614,670
Governmental activities capital assets, net	\$ 5,581,662	53,008	-	5,634,670
<b>Business type activities:</b>				
Machinery and equipment	\$ 70,257	-	-	70,257
Less accumulated depreciation	46,867	2,549	-	49,416
Business type activities capital assets, net	\$ 23,390	(2,549)	-	20,841

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 43,599
Other	15,900
Support services:	
Instructional staff	3,322
Administration	1,078
Operation and maintenance of plant	23,453
Transportation	61,831
	149,183
Unallocated	189,703
Total depreciation expense - governmental activities	\$ 338,886
Business type activities:	
Food service operations	\$ 2,549

## **Note 5. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
QZAB	\$ 1,000,000	-	-	1,000,000	-
Net pension liability	2,615,672	-	980,693	1,634,979	-
Net OPEB liability	122,823	8,836	-	131,659	-
Total	<u>\$ 3,738,495</u>	<u>8,836</u>	<u>980,693</u>	<u>2,766,638</u>	<u>-</u>
<b>Business type activities:</b>					
Net pension liability	\$ 73,136	-	27,421	45,715	-

### **Qualified Zone Academy Bonds**

During the year ended June 30, 2010, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual transfers of \$57,503 are made from the District's Capital Projects: Statewide Sales, Services and Use Tax Fund to an escrow account that will be used to pay the indebtedness due December 1, 2025 of \$1,000,000.

## **Note 6. Pension Plan**

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$220,783.

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 \$1,680,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.041529 percent, which was a decrease of 0.005960 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$61,828. 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	\$ 18,266	\$ -
Changes of assumptions	74,173	-
Net difference between projected and actual earnings on pension plan investments	-	640,968
Changes in proportion and differences between District contributions and proportionate share of contributions	-	273,778
District contributions subsequent to the measurement date	220,783	-
Total	<u>\$ 313,222</u>	<u>\$ 914,746</u>

\$220,783 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (202,611)
2017	(202,611)
2018	(202,611)
2019	(202,611)
2020	(11,863)
	<u>\$ (822,307)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,175,625	\$ 1,680,694	\$ 418,818

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$27,166 for legally required employer contributions and \$18,100 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 7. Other Postemployment Benefits**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 44 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. The District also offers early retirement benefits in the form of health insurance benefits resulting in an explicit 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 County's net OPEB obligation:

Annual required contribution	\$ 70,238
Interest on net OPEB obligation	3,071
Adjustment to annual required contribution	<u>(22,787)</u>
Annual OPEB cost	50,522
Contributions made	<u>(41,686)</u>
Increase in net OPEB obligation	8,836
Net OPEB obligation beginning of year	<u>122,823</u>
Net OPEB obligation end of year	<u><u>\$ 131,659</u></u>

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

For the year ended June 30, 2015, the District contributed \$41,686 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 70,588	77.38%	\$ 125,966
2014	48,035	106.54%	122,823
2015	50,522	82.51%	131,659

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 \$287,041, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$287,041. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,013,590 and the ratio of the UAAL to covered payroll was 14.26%. 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 ultimate medical trend rate is 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based upon sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. 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 \$179,750 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 9. Risk Management**

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

**Note 10. Operating Lease Obligations**

On April 15, 2014, the District entered into multiple 3-year lease agreements with Santander Bank, NA for the lease of one 77-passenger bus, four 65-passenger buses and one 44-passenger lift bus. The agreements include a balloon payment purchase option on July 15, 2017; however, the District does not plan to take the purchase option. The leases require total annual payments of \$62,615 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

In April 2013, the District entered into a 60 month copier lease for two copy machines, with monthly payments totaling \$835. During the fiscal year 2015, the District paid \$10,020 on the copier lease agreement. As of June 30, 2015, 33 months remains on the lease agreement.

**Note 11. Categorical Funding**

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

Program	Amount
Home school assistance program	\$ 3,081
Beginning teacher mentoring and induction program	934
Teacher salary supplement	15,797
Successful progression for early readers	16,897
Professional development for model core curriculum	18,014
Professional development	51,365
Teacher leadership grant	6,540
Teacher development academies	1,609
Total	\$ 114,237

**Note 12. Deficit Unrestricted Net Position**

At June 30, 2015, the District had a deficit unrestricted net position of \$1,053 in the School Nutrition Fund. The District also had a deficit unrestricted net position of \$1,194,349 in its governmental activities at June 30, 2015.

**Note 13. Reconciliation of Governmental Fund Balances to Net Position**

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

	Net Investment in Capital Assets	Unassigned/ Unrestricted
<b>Fund balance (Exhibit C)</b>	\$ -	1,047,518
Capital assets, net of accumulated depreciation	5,634,670	-
QZAB bond capitalized indebtedness	(1,000,000)	-
Income surtax	-	110,177
Net pension liability	-	(1,634,979)
Deferred outflows of resources	-	304,459
Deferred inflows of resources	-	(889,865)
Net OPEB liability	-	(131,659)
<b>Net position (Exhibit A)</b>	<b>\$ 4,634,670</b>	<b>(1,194,349)</b>

**Note 14. Accounting Change/Restatement**

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

	Governmental Activities	Business Type Activities		
		School Nutrition	Wellness Center	Total
Net position June 30, 2014, as previously reported	\$ 6,514,163	\$ 81,260	6,290	87,550
Net pension liability at June 30, 2014	(2,615,672)	(73,136)	-	(73,136)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	240,899	6,736	-	6,736
Net position July 1, 2014, as restated	<b>\$ 4,139,390</b>	<b>\$ 14,860</b>	<b>6,290</b>	<b>21,150</b>

**West Harrison Community School District**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,872,913	95,600	2,968,513	3,370,492	3,370,492	(401,979)
State sources	2,264,619	1,588	2,266,207	1,934,554	1,934,554	331,653
Federal sources	225,173	112,343	337,516	315,000	315,000	22,516
Total revenues	5,362,705	209,531	5,572,236	5,620,046	5,620,046	(47,810)
Expenditures/Expenses:						
Instruction	3,029,577	-	3,029,577	3,855,000	3,855,000	825,423
Support services	1,777,301	3,222	1,780,523	2,113,000	2,113,000	332,477
Non-instructional programs	-	200,935	200,935	280,000	280,000	79,065
Other expenditures	584,720	-	584,720	451,745	595,000	10,280
Total expenditures/expenses	5,391,598	204,157	5,595,755	6,699,745	6,843,000	1,247,245
Excess(Deficiency) of revenues over(under) expenditures/expenses	(28,893)	5,374	(23,519)	(1,079,699)	(1,222,954)	1,199,435
Other financing sources, net	3,859	-	3,859	-	-	3,859
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(25,034)	5,374	(19,660)	(1,079,699)	(1,222,954)	1,203,294
Balances beginning of year, as restated	1,958,803	21,150	1,979,953	1,975,330	1,975,330	4,623
Balances end of year	\$ 1,933,769	26,524	1,960,293	895,631	752,376	1,207,917

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing the budgeted expenditures by \$143,255.

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

	2015
District's proportion of the net pension liability	0.041529%
District's proportionate share of the net pension liability	\$ 1,680,694
District's covered-employee payroll	\$ 2,472,373
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.98%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 220,783	247,635	266,290	254,953	214,340	201,405	198,005	180,148	166,615	168,147
Contributions in relation to the statutorily required contribution	(220,783)	(247,635)	(266,290)	(254,953)	(214,340)	(201,405)	(198,005)	(180,148)	(166,615)	(168,147)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,472,373	2,773,068	3,071,396	3,159,269	3,084,029	2,897,914	3,118,189	2,977,653	2,897,652	2,924,296
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Changes of benefit terms**

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

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

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

**Changes of assumptions**

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

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

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

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 385,423	\$ 385,423	0.0%	\$ 2,479,066	15.55%
2011	July 1, 2009	-	385,423	385,423	0.0%	2,537,623	15.19%
2012	July 1, 2009	-	385,423	385,423	0.0%	2,422,596	15.91%
2013	July 1, 2012	-	386,674	386,674	0.0%	2,362,573	16.37%
2014	July 1, 2012	-	336,227	336,227	0.0%	2,147,862	15.65%
2015	July 1, 2012	-	287,041	287,041	0.0%	2,013,590	14.26%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SUPPLEMENTARY INFORMATION**

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

	Special Revenue			Total	Debt Service	Total
	Student Activity	Management Levy	Support Trust			
<b>Assets</b>						
Cash and pooled investments	\$ 10,702	115,362	2,797	128,861	302,673	431,534
Receivables:						
Property tax:						
Delinquent	-	3,173	-	3,173	-	3,173
Succeeding year	-	280,000	-	280,000	-	280,000
Due from other governments	9,126	-	-	9,126	-	9,126
<b>Total assets</b>	<b>\$ 19,828</b>	<b>398,535</b>	<b>2,797</b>	<b>421,160</b>	<b>302,673</b>	<b>723,833</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>						
Liabilities:						
Accounts payable	\$ 833	-	-	833	-	833
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	-	280,000	-	280,000	-	280,000
Fund balances:						
Restricted for:						
Student activities	18,995	-	-	18,995	-	18,995
Management levy purposes	-	118,535	-	118,535	-	118,535
Expendable trust	-	-	2,797	2,797	-	2,797
Debt service	-	-	-	-	302,673	302,673
Total fund balances	18,995	118,535	2,797	140,327	302,673	443,000
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 19,828</b>	<b>398,535</b>	<b>2,797</b>	<b>421,160</b>	<b>302,673</b>	<b>723,833</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Total	Debt Service	Total
	Student Activity	Management Levy	Support Trust			
Revenues:						
Local sources:						
Local tax	\$ -	214,986	-	214,986	-	214,986
Other	94,075	-	-	94,075	3,008	97,083
State sources	-	368	-	368	-	368
Total revenues	94,075	215,354	-	309,429	3,008	312,437
Expenditures:						
Current:						
Instruction:						
Regular	-	76,305	-	76,305	-	76,305
Other	94,324	-	472	94,796	-	94,796
Support services:						
Operation and maintenance of plant	-	148,729	-	148,729	-	148,729
Transportation	-	11,472	-	11,472	-	11,472
Total expenditures	94,324	236,506	472	331,302	-	331,302
Excess(Deficiency) of revenues over(under) expenditures	(249)	(21,152)	(472)	(21,873)	3,008	(18,865)
Other financing sources:						
Transfer in	-	-	-	-	57,503	57,503
Change in fund balances	(249)	(21,152)	(472)	(21,873)	60,511	38,638
Fund balances beginning of year	19,244	139,687	3,269	162,200	242,162	404,362
Fund balances end of year	\$ 18,995	118,535	2,797	140,327	302,673	443,000

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 216,864	132,669	349,533
Receivables:			
Property tax:			
Delinquent	-	1,085	1,085
Succeeding year	-	74,645	74,645
Due from other governments	56,116	-	56,116
<b>Total assets</b>	<b>\$ 272,980</b>	<b>208,399</b>	<b>481,379</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>			
Liabilities:			
Accounts payable	\$ 77,720	-	77,720
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	74,645	74,645
Fund balances:			
Restricted for:			
School infrastructure	195,260	-	195,260
Physical plant and equipment	-	133,754	133,754
Total fund balances	195,260	133,754	329,014
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 272,980</b>	<b>208,399</b>	<b>481,379</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS 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	\$ -	73,425	73,425
Other	14	295	309
State sources	359,009	197	359,206
Total revenues	359,023	73,917	432,940
Expenditures:			
Current:			
Instruction:			
Regular	14,980	-	14,980
Support services:			
Instructional staff	26,939	8,391	35,330
Administration	14,632	-	14,632
Operation and maintenance of plant	35,827	1,600	37,427
Transportation	122,976	11,041	134,017
Capital outlay	397,358	7,612	404,970
Total expenditures	612,712	28,644	641,356
Excess(Deficiency) of revenues over(under) expenditures	(253,689)	45,273	(208,416)
Other financing uses:			
Transfer out	(57,503)	-	(57,503)
Change in fund balances	(311,192)	45,273	(265,919)
Fund balances beginning of year	506,452	88,481	594,933
Fund balances end of year	\$ 195,260	133,754	329,014

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,903	503	1,350	1,056
Drama Donations	300	-	123	177
Music	-	6,524	6,487	37
Football	-	20	20	-
Baseball	250	97	347	-
Boys Track	25	-	-	25
Volleyball	-	2,017	1,360	657
Restricted Fund Balance	1,015	-	1,015	-
Interest	-	10	10	-
Dance Team	923	-	-	923
Yearbook	(9,964)	10,721	757	-
Athletic Fundraiser	-	47,292	47,094	198
Pop/Snack/Pen/Pencil	-	4,889	4,889	-
Cheerleaders	1,098	1,574	2,138	534
ECO Council	50	-	-	50
Red Cross Club	34	-	-	34
FCCLA	470	3,143	3,410	203
Nonromance Dance	-	130	-	130
FFA	1,137	1,409	1,402	1,144
C.O.R.E. Fundraiser	46	-	-	46
Choral & Senior Gowns	1,443	-	424	1,019
Science Bowl	150	-	-	150
Ind Arts Marketing	24	-	-	24
Class of 2012	2,794	-	2,794	-
Class of 2013	519	-	519	-
Class of 2014	1,053	-	1,053	-
Class of 2015	3,396	-	2,389	1,007
Class of 2016	-	11,808	10,085	1,723
Physics Field Trip	215	-	208	7
WH Secret Angels	25	-	-	25
Student Council	1,506	2,759	3,984	281
JH Athletics	363	-	363	-
Lift-A-Thon	5,706	45	241	5,510
Dr. Seuss Celebration	144	-	144	-
Elementary AR Awards	103	-	103	-
Experiment in Intern. Living	9	-	-	9
MS Student Council	2,141	1,134	1,615	1,660
Middle School Fundraiser	1,835	-	-	1,835
Elem. Fundraiser	147	-	-	147
SH Fundraiser	384	-	-	384
Total	\$ 19,244	94,075	94,324	18,995

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,573,180	2,481,022	3,209,082	3,339,087	3,169,834	2,835,110	2,731,262	2,594,053	2,565,657	2,359,915
Tuition	106,393	136,887	119,296	138,032	150,334	181,055	202,318	213,257	174,225	256,689
Other	193,340	180,601	161,017	386,627	266,966	286,338	341,926	287,556	367,891	364,802
Intermediate sources	-	-	-	-	500	-	-	-	-	4,925
State sources	2,264,619	2,542,880	2,303,327	2,547,579	2,566,826	2,238,144	2,650,853	2,607,724	2,402,446	2,301,134
Federal sources	225,173	201,374	268,988	276,411	521,280	457,960	251,618	214,495	191,337	315,908
Total	\$ 5,362,705	5,542,764	6,061,710	6,687,736	6,675,740	5,998,607	6,177,977	5,917,085	5,701,556	5,603,373
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,750,743	1,893,112	2,029,167	2,244,525	2,424,187	2,418,362	2,488,267	2,379,525	2,093,567	1,880,985
Special	596,127	655,968	735,938	709,697	721,665	608,499	549,359	540,021	538,012	609,976
Other	682,707	687,550	771,057	751,776	770,941	430,823	443,525	401,250	532,667	523,656
Support services:										
Student	201,551	163,102	172,617	153,186	56,729	132,452	169,778	109,852	114,488	146,616
Instructional staff	163,252	174,820	174,963	180,589	217,960	222,471	131,851	147,795	152,391	198,741
Administration	435,324	497,679	493,426	522,950	509,364	500,506	589,944	625,889	589,785	545,057
Operation and maintenance of plant	563,191	534,852	523,534	478,474	470,549	420,794	368,060	414,043	383,166	379,808
Transportation	413,983	367,413	439,909	390,444	480,894	289,510	387,122	455,095	387,849	473,378
Capital outlay	404,970	245,476	443,918	428,314	666,448	504,959	434,653	94,638	25,225	117,046
Long term debt:										
Principal	-	-	370,000	355,000	345,000	330,000	320,000	315,000	305,000	300,000
Interest	-	-	10,452	24,051	36,165	47,380	57,703	67,191	75,382	82,283
Other expenditures:										
AEA flow-through	179,750	182,285	178,097	180,598	205,388	198,572	180,983	171,160	160,022	154,145
Total	\$ 5,391,598	5,402,257	6,343,078	6,419,604	6,905,290	6,104,328	6,121,245	5,721,459	5,357,554	5,411,691

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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 the West Harrison 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 Harrison 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 17, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West Harrison 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 Harrison Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Harrison 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 a deficiencies in internal control over financial reporting we consider to be a material weakness and significant deficiency.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control 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-B-15 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Harrison 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 Harrison Community School District's Responses to Findings**

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2016  
Newton, Iowa

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.
- 10) Journal entries - writing, approval, and posting.

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

Response - We have put in place a three person system for receiving cash and payroll. We acknowledge the recommendation and will continue to pursue options of involving more people to maximize internal controls.

Conclusion - Response accepted.

I-B-15 Purchase Orders - We noted during our audit several instances of transactions lacking purchase orders dated after the ordering of goods/services had already taken place.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - Following the auditor visit, we reviewed our procedures and took time to stress to all employees the requirement that a purchase order must be in place and approved prior to ordering anything.

Conclusion - Response accepted.

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

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 did not exceed the certified amounts in the functional areas.

II-B-15 Questionable Disbursements - We noted during our audit that the District purchased a plaque for an individual who was not an employee for the District. This purchase would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gifts for individuals. The District should review the purchasing procedures it has in place and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - We have reviewed our policies and practices and recognize that purchases must meet the public purpose test.

Conclusion - Response accepted.

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

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

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

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

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

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

II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

- II-K-15 Categorical Funding - No instances were noted of categorical funding 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 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		\$	506,452
Revenues:			
Sales tax revenues	\$	359,009	
Other local revenues		14	359,023
			<u>865,475</u>
Expenditures/transfer out:			
School infrastructure construction		115,950	
Equipment		200,621	
Other		296,141	
Transfer to other funds:			
Debt service fund		57,503	670,215
			<u>670,215</u>
Ending Balance		\$	<u>195,260</u>

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

- II-M-15 Financial Conditions - We noted during our audit that the District had a deficit unrestricted net position of \$1,053 in the School Nutrition Fund. The District also had a deficit unrestricted net position of \$1,194,349 in its governmental activities. The primary reason for this deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statement No. 68 and No. 71 will affect the District's financials moving forward.

Response - We will find some time to learn more about these changes and share that with the rest of the administration and the board.

Conclusion - Response accepted.

- II-N-15 Physical Plant and Equipment Levy (PPEL) Expenditures - We noted during our audit that the District made purchases from the PPEL Fund which do not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa. The District had expenditures of \$4,608 for instructional software and licensing.

Recommendation - Expenditures for instructional software and licensing are more appropriate from the General Fund. The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowability of expenditures from the PPEL Fund. Since the District had allowable PPEL expenditures from the General Fund, we did not request a corrective transfer on the financial statements.

Response - Instructional software will be purchased from the appropriate funds.

Conclusion - Response accepted.

II-O-15 Student Activity Fund - During our audit concerns arose about certain receipts, expenditures and accounts within the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular/co-curricular activities offered as part of the District's educational program.

**Fundraisers** - We noted three fundraising accounts titled Middle School, Elementary and S.H. Fundraiser within the Student Activity Fund. These accounts appear to be for the District's regular instruction program and do not appear to be associated with a co-curricular activity.

Recommendation - These accounts do not appear to be appropriate in the Student Activity Fund per Chapter 298A.8 of the Iowa Code and should be transferred to the more appropriate General Fund.

Response - The funds were transferred to the General Fund.

Conclusion - Response accepted.