

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATE CENTER, IOWA

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

JUNE 30, 2015

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WEST MARSHALL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Tom Hemesath	President	2017
Jeff Lanning	Vice President	2015
Julie Randall	Board Member	2015
Gary Conkin	Board Member	2015
Lisa Breja	Board Member	2015
Don Porter	Board Member	2017
Wayne Larsen	Board Member	2017
<u>School Officials</u>		
Nicole Kooiker	Superintendent	2015
Stephanie Edler	District Secretary/Treasurer and Business Manager	2015
Sharon Greer	Attorney	2015

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. 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 Marshall Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

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

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 14 and 56 through 64 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 Marshall 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 financials 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2015 on our consideration of West Marshall 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. 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 Marshall Community School District's internal control over financial reporting and compliance.

Hunt & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Marshall 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 and other financing sources increased from \$8,528,018 in fiscal 2014 to \$8,771,930 in fiscal 2015, while General Fund expenditures decreased from \$8,315,617 in fiscal 2014 to \$8,211,791 in fiscal 2015. The District's General Fund balance increased from \$2,738,717 in fiscal 2014 to \$3,298,857 in fiscal 2015, a 20% increase.
- The increase in General Fund revenues was primarily attributable to an increase in state aid due to 4% supplemental state aid.
- The decrease in General Fund expenditures was due mainly to a decrease in administration and in operation and maintenance costs in 2015.

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 Marshall 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 Marshall Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Marshall Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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.

Supplementary Information provides detailed information about the nonmajor funds.

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

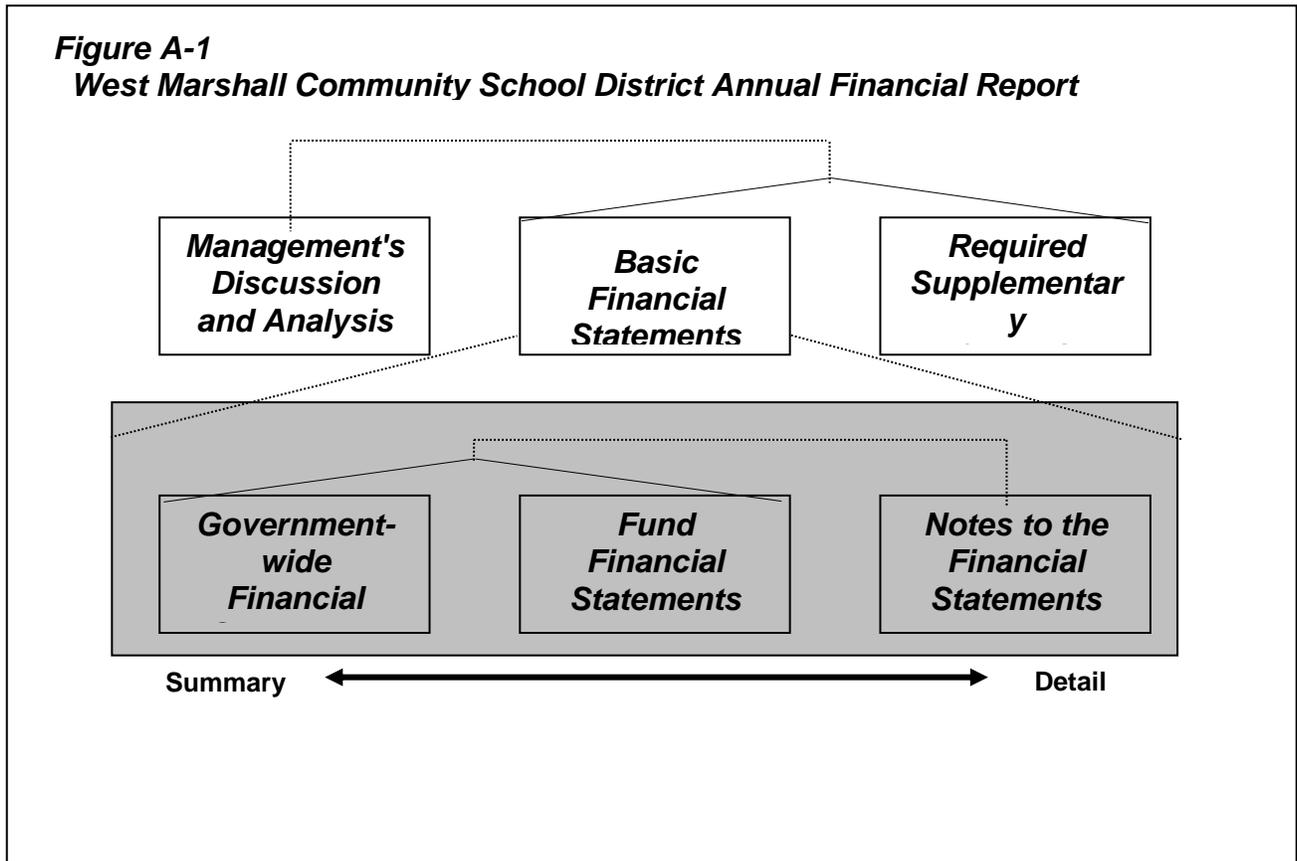


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two 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 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 Preschool Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's self-insurance fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2014-15
	Governmental Activities		Business-type Activities		Total School District		
	2014 (not restated) \$	2015 \$	2014 (not restated) \$	2015 \$	2014 (not restated) \$	2015 \$	
Current and other assets	8,788,193	9,296,878	121,535	125,654	8,909,728	9,422,532	5.8%
Capital assets	13,133,188	13,182,487	163,680	143,930	13,296,868	13,326,417	0.2%
Total assets	21,921,381	22,479,365	285,215	269,584	22,206,596	22,748,949	2.4%
Deferred outflows of resources	-	556,133	-	28,363	-	584,496	n/a
Long-term liabilities	9,918,914	12,280,259	-	139,783	9,918,914	12,420,042	25.2%
Other liabilities	1,029,092	1,001,126	16,447	20,259	1,045,539	1,021,385	-2.3%
Total liabilities	10,948,006	13,281,385	16,447	160,042	10,964,453	13,441,427	22.6%
Deferred inflows of resources	2,701,121	3,933,788	-	58,643	2,701,121	3,992,431	47.8%
Net Position							
Invested in capital assets, net of related debt	3,708,188	4,177,487	163,680	143,930	3,871,868	4,321,417	11.6%
Restricted	1,850,056	1,800,058	-	-	1,850,056	1,800,058	-2.7%
Unrestricted-	2,714,010	(157,220)	105,088	(64,668)	2,819,098	(221,888)	-107.9%
TOTAL NET POSITION	8,272,254	5,820,325	268,768	79,262	8,541,022	5,899,587	-30.9%

The District's combined total net position decreased by 31%, or approximately \$2.6 million, over the prior year. This significant decrease in net position is due to the implementation of GASB No. 68, as explained below. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, buildings, equipment), less the related debt.

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 approximately \$50,000 or 2.7% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$3.0 million, or 108%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014, for governmental activities and business type activities were restated by \$3,598,257 and \$142,369, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014.

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

Figure A-4 shows the change in net position for the years ended June 30, 2014 and 2015.

Figure A-4

	Change in Net position						Percentage Change 2014-2015
	Governmental Activities		Business-type Activities		Total School District		
	2014 (not restated) \$	2015 \$	2014 (not restated) \$	2015 \$	2014 (not restated) \$	2015 \$	
Revenues							
Program Revenues:							
Charges for services	1,033,769	1,032,904	264,919	342,034	1,298,688	1,374,938	5.9%
Operating grants & contributions	1,139,614	1,161,126	195,151	208,850	1,334,765	1,369,976	2.6%
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	2,730,186	2,710,976	-	-	2,730,186	2,710,976	-0.7%
Income Surtax	383,254	407,989	-	-	383,254	407,989	6.5%
Statewide sales & services tax	755,349	815,019	-	-	755,349	815,019	7.9%
Unrestricted state and federal grants	3,843,972	4,012,314	-	-	3,843,972	4,012,314	4.4%
Unrestricted investment earnings	44,504	44,595	80	80	44,584	44,675	0.2%
Other revenue	20,196	69,640	-	-	20,196	69,640	244.8%
Total Revenues	9,950,844	10,254,563	460,150	550,964	10,410,994	10,805,527	3.8%
Expenses:							
Instruction	5,246,619	5,185,151	66,720	147,468	5,313,339	5,332,619	0.4%
Support services	3,034,560	2,789,925	9,465	6,790	3,044,025	2,796,715	-8.1%
Non-instructional programs	-	-	408,053	443,843	408,053	443,843	8.8%
Other expenditures	1,105,233	1,133,159	-	-	1,105,233	1,133,159	2.5%
Total expenses	9,386,412	9,108,235	484,238	598,101	9,870,650	9,706,336	-1.7%
CHANGE IN NET POSITION	564,432	1,146,328	(24,088)	(47,137)	540,344	1,099,191	103.4%
Net position beginning of year, as restated	7,707,822	4,673,997	292,856	126,399	8,000,678	4,800,396	-40.0%
Net position end of year	8,272,254	5,820,325	268,768	79,262	8,541,022	5,899,587	-30.9%

Property tax and unrestricted state grants account for 62% of the total revenue. Charges for services and operating grants and contributions account for virtually 100% of business-type activities revenue. The District's expenses primarily relate to instruction and support services, which account for 55% and 29% respectively, of the total expenses.

The District's total revenues were approximately \$10.8 million, of which approximately \$10.2 million was for governmental activities and just over \$550,000 was for business-type activities.

Governmental Activities

Revenues for governmental activities were \$10.2 million, a 3% increase over 2014. The increase was due to an increase in state funding, attributable to increased supplemental state aid. Expenses were \$9.1 million, down 3% from 2014. The decrease was due mainly to savings in support services, mainly in administration and in operations and maintenance costs.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014 (not restated)	2015	Change 2014-2015	2014 (not restated)	2015	Change 2014-2015
	\$	\$		\$	\$	
Instruction	5,246,619	5,185,151	-1.2%	3,538,768	3,407,418	-3.7%
Support Services	3,034,560	2,789,925	-8.1%	2,921,088	2,741,815	-6.1%
Non-instructional Programs	-	-	-	-	-	-
Other Expenses	1,105,233	1,133,159	2.5%	753,173	764,972	1.6%
TOTAL	9,386,412	9,108,235	-3.0%	7,213,029	6,914,205	-4.1%

The cost financed by users of the District’s programs was \$1,032,904. Most of these revenues are derived from tuition charged to other school districts and from student activities. State and federal governments subsidized certain programs with grants and contributions totaling \$1,161,126. The net cost of governmental activities was financed primarily with \$3,118,965 in property and other local taxes and \$4,012,314 in unrestricted state and federal grants.

Business Type Activities

Revenues for business type activities were \$550,964 and expenses were \$598,101. The District’s business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The increases were primarily due to the expansion of the District’s preschool program. During the year ended June 30, 2015, the District increased meal prices. The increase ranged from \$0.05-\$0.15 for breakfast, lunch and milk.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Marshall Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,227,871, as compared to last year’s ending fund balances of \$4,811,008.

Governmental Fund Highlights

- The General Fund balance increased from \$2,738,718 to \$3,298,857, or 20%. The district strives to keep expenditures close to our revenue. This year the District expended 94% of the general fund revenues.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$207,565 at June 30, 2014, to \$108,772 at June 30, 2015, representing a decrease of approximately 47%. The District increased meal prices in 2014 and will increase them again in 2015. The District implemented ala carte options at the high school in 2015 as another means to increase revenue. However, the District also reflected the related expenses for the net pension liability, which caused an overall reduction of net position.

At the end of the 2013-14 school year, the other two preschools in our district closed. As a result, the District’s preschool enrollment increased significantly to accommodate these students. The District applied for the Statewide Voluntary Preschool funding in FY14 and was approved. Funding for this program will be based on the certified enrollment count in October 2014 to receive funds in 2015-16.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Marshall Community School District did not amend its annual budget. The District’s receipts were \$335,765 more than budgeted receipts. The District’s expenditures were less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$13.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0.2% from last year. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$492,285.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2014-2015
	2014	2015	2014	2015	2014	2015	
	\$	\$	\$	\$	\$	\$	
Land	125,000	125,000			125,000	125,000	0%
Construction in progress	-	90,793			-	90,793	n/a
Buildings	12,490,678	12,198,367			12,490,678	12,198,367	-2.3%
Improvements	301,933	271,654			301,933	271,654	-10.0%
Equipment & Furniture	215,577	496,673	163,680	143,930	379,257	640,603	68.9%
TOTAL	13,133,188	13,182,487	163,680	143,930	13,296,868	13,326,417	0.2%

Long-Term Debt

At June 30, 2014, the District had \$14,083,988 in general obligation bonds, revenue bonds and other long-term debt outstanding, as restated to include the net pension liability, as compared to \$12,420,042 at June 30, 2015. This represents a decrease of approximately 12% from last year. (See Figure A-7) The decrease is due primarily to a reduction in the net pension liability. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District did not offer an early retirement incentive in 2015. The outstanding long-term obligation is largely due to the GO and revenue bonds sold in 2010 to fund the middle school construction project.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2014	2015	Change
	2014	2015	2014-2015
	\$	\$	
General Obligation Bonds	3,600,000	3,430,000	-4.7%
Revenue bonds	5,825,000	5,575,000	-4.3%
Termination benefits	271,914	203,531	-25.1%
Net pension liability (as restated)	4,165,074	2,880,511	-30.8%
Other postemployment benefits (OPEB)	222,000	331,000	49.1%
	14,083,988	12,420,042	-11.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The federal Health Care Reform is expected to increase health insurance costs, both directly and indirectly.
- The Education Reform set forth by the State of Iowa could result in increased salary and benefits costs for the District as well as increased costs of professional development.
- The District's middle school building has a geo-thermal system that is not operating effectively. This could potentially result in a significant cost of repair and/or litigation.
- The cost of operating the school in conjunction with the negotiated salary and benefit increases are outpacing the supplemental state aid as approved by the state legislature.

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 Nicole Kooiker, Superintendent, West Marshall Community School District, 601 3rd St. NW, PO Box 670, State Center, IA 50247.

Basic Financial Statements

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 5,808,747	\$ 105,634	\$ 5,914,381
Receivables:			
Property tax:			
Current year	28,839	-	28,839
Succeeding year	2,783,971	-	2,783,971
Income surtax	377,121	-	377,121
Accounts	1,422	-	1,422
Due from other governments	296,778	3,019	299,797
Inventories	-	17,001	17,001
Capital assets, net of accumulated depreciation (note 4)	13,182,487	143,930	13,326,417
	<hr/>	<hr/>	<hr/>
Total assets	22,479,365	269,584	22,748,949
Deferred Outflows of Resources			
Pension related deferred outflows	556,133	28,363	584,496
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts payable	125,048	215	125,263
Salaries and benefits payable	746,717	12,655	759,372
Unearned revenue	-	7,389	7,389
Accrued interest payable	129,361	-	129,361
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	47,569	-	47,569
Bonds payable	435,000	-	435,000
Portion due after one year:			
Early retirement	155,962	-	155,962
Bonds payable	8,570,000	-	8,570,000
Net pension liability	2,740,728	139,783	2,880,511
Net OPEB liability	331,000	-	331,000
	<hr/>	<hr/>	<hr/>
Total liabilities	13,281,385	160,042	13,441,427

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,783,971	\$ -	\$ 2,783,971
Pension related deferred inflows	1,149,817	58,643	1,208,460
Total deferred inflows of resources	<u>3,933,788</u>	<u>58,643</u>	<u>3,992,431</u>
Net Position			
Net investment in capital assets	4,177,487	143,930	4,321,417
Restricted for:			
Categorical funding	157,788	-	157,788
Debt service	762,985	-	762,985
Capital projects	786,003	-	786,003
Physical plant and equipment levy purposes	15,267	-	15,267
Student activities	78,015	-	78,015
Unrestricted	<u>(157,220)</u>	<u>(64,668)</u>	<u>(221,888)</u>
Total net position	<u>\$ 5,820,325</u>	<u>\$ 79,262</u>	<u>\$ 5,899,587</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction :			
Regular instruction	\$ 3,123,979	\$ 768,286	\$ 720,298
Special instruction	914,765	100,748	58,948
Other instruction	1,146,407	129,453	-
	<u>5,185,151</u>	<u>998,487</u>	<u>779,246</u>
Support services:			
Student	255,373	-	5,893
Instructional staff	251,309	30,697	7,800
Administration	858,409	-	-
Operation and maintenance of plant	840,681	3,384	-
Transportation	584,153	336	-
	<u>2,789,925</u>	<u>34,417</u>	<u>13,693</u>
Other expenditures:			
Long-term debt interest and fiscal charges	377,076	-	-
AEA flowthrough	368,187	-	368,187
Depreciation (unallocated) *	387,896	-	-
	<u>1,133,159</u>	<u>-</u>	<u>368,187</u>
Total governmental activities	<u>9,108,235</u>	<u>1,032,904</u>	<u>1,161,126</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,635,395)	-	\$ (1,635,395)
(755,069)	-	(755,069)
(1,016,954)	-	(1,016,954)
(3,407,418)	-	(3,407,418)
(249,480)	-	(249,480)
(212,812)	-	(212,812)
(858,409)	-	(858,409)
(837,297)	-	(837,297)
(583,817)	-	(583,817)
(2,741,815)	-	(2,741,815)
(377,076)	-	(377,076)
-	-	-
(387,896)	-	(387,896)
(764,972)	-	(764,972)
(6,914,205)	-	(6,914,205)

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Instruction:			
Preschool operations	\$ 147,468	\$ 95,055	\$ -
Support services:			
Food service operations	6,790	-	-
Non-instructional programs:			
Food service operations	443,843	246,979	208,850
Total business-type activities	598,101	342,034	208,850
Total	\$ 9,706,336	\$ 1,374,938	\$ 1,369,976

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year, as restated (note 12)

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (52,413)	\$ (52,413)
-	(6,790)	(6,790)
-	11,986	11,986
-	(47,217)	(47,217)
(6,914,205)	(47,217)	(6,961,422)
\$ 2,371,794	\$ -	\$ 2,371,794
258,886	-	258,886
80,296	-	80,296
407,989	-	407,989
815,019	-	815,019
4,012,314	-	4,012,314
44,595	80	44,675
69,640	-	69,640
8,060,533	80	8,060,613
1,146,328	(47,137)	1,099,191
4,673,997	126,399	4,800,396
\$ 5,820,325	\$ 79,262	\$ 5,899,587

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 3,972,117	\$ 1,182,308	\$ 614,704	\$ 5,769,129
Receivables:				
Property tax:				
Current year	23,451	845	4,543	28,839
Succeeding year	2,261,934	82,187	439,850	2,783,971
Income surtax	377,121	-	-	377,121
Accounts	-	-	1,422	1,422
Due from other governments	169,761	127,017	-	296,778
	<hr/>			
Total assets	<u>\$ 6,804,384</u>	<u>\$ 1,392,357</u>	<u>\$ 1,060,519</u>	<u>\$ 9,257,260</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 119,755	\$ -	\$ 1,825	\$ 121,580
Salaries and benefits payable	746,717	-	-	746,717
Total liabilities	<u>866,472</u>	<u>-</u>	<u>1,825</u>	<u>868,297</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,261,934	82,187	439,850	2,783,971
Other	377,121	-	-	377,121
Total deferred inflows of resources	<u>2,639,055</u>	<u>82,187</u>	<u>439,850</u>	<u>3,161,092</u>
Fund balances:				
Restricted for:				
Categorical funding (note 10)	157,788	-	-	157,788
Revenue bonds reserve fund	-	508,900	-	508,900
Debt service	-	-	383,446	383,446
School infrastructure	-	786,003	-	786,003
Physical plant and equipment	-	15,267	-	15,267
Management levy purposes	-	-	157,383	157,383
Student activities	-	-	78,015	78,015
Unassigned	3,141,069	-	-	3,141,069
Total fund balances	<u>3,298,857</u>	<u>1,310,170</u>	<u>618,844</u>	<u>5,227,871</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,804,384</u>	<u>\$ 1,392,357</u>	<u>\$ 1,060,519</u>	<u>\$ 9,257,260</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2015

Total fund balances of governmental funds		\$ 5,227,871
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		13,182,487
An Internal Service Fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		36,150
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		377,121
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(129,361)
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	\$ 556,133
	Deferred inflows of resources	<u>(1,149,817)</u>
		(593,684)
Long-term liabilities, including early retirement, bonds payable, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(12,280,259)</u>
Net position of governmental activities		<u>\$ 5,820,325</u>

See notes to financial statements.

WEST MARSHALL 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	\$ 2,577,402	\$ 80,296	\$ 429,510	\$ 3,087,208
Tuition	830,843	-	-	830,843
Other	165,508	7,443	118,608	291,559
Intermediate sources	9,800	-	-	9,800
State sources	4,993,850	815,019	-	5,808,869
Federal sources	176,070	-	-	176,070
Total revenues	<u>8,753,473</u>	<u>902,758</u>	<u>548,118</u>	<u>10,204,349</u>
Expenditures:				
Current:				
Instruction	<u>5,182,871</u>	-	252,645	<u>5,435,516</u>
Support services:				
Student	264,870	-	-	264,870
Instructional staff	259,260	-	-	259,260
Administration	776,844	195	102,158	879,197
Operation and maintenance of plant	758,329	7,799	68,939	835,067
Transportation	601,430	252,610	9,706	863,746
	<u>2,660,733</u>	<u>260,604</u>	<u>180,803</u>	<u>3,102,140</u>
Other expenditures:				
Facilities acquisition	-	98,295	-	98,295
Long term debt:				
Principal	-	-	420,000	420,000
Interest and fiscal charges	-	-	381,805	381,805
AEA flowthrough	368,187	-	-	368,187
	<u>368,187</u>	<u>98,295</u>	<u>801,805</u>	<u>1,268,287</u>
Total expenditures	<u>8,211,791</u>	<u>358,899</u>	<u>1,235,253</u>	<u>9,805,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>541,682</u>	<u>543,859</u>	<u>(687,135)</u>	<u>398,406</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 8,100	\$ -	\$ -	\$ 8,100
Compensation for loss of capital assets	10,357	-	-	10,357
Interfund transfers in (note 3)	-	-	547,794	547,794
Interfund transfers out (note 3)	-	(547,794)	-	(547,794)
Total other financing sources (uses)	<u>18,457</u>	<u>(547,794)</u>	<u>547,794</u>	<u>18,457</u>
Net change in fund balances	560,139	(3,935)	(139,341)	416,863
Fund balances beginning of year	<u>2,738,718</u>	<u>1,314,105</u>	<u>758,185</u>	<u>4,811,008</u>
Fund balances end of year	<u>\$ 3,298,857</u>	<u>\$ 1,310,170</u>	<u>\$ 618,844</u>	<u>\$ 5,227,871</u>

See notes to financial statements.

WEST MARSHALL 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

Net change in fund balances - total governmental funds \$ 416,863

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

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

Capital outlays	\$ 521,834	
Depreciation expense	<u>(472,535)</u>	49,299

Income surtax revenue not received until several months after the District's
fiscal year end is not considered available revenue and is recognized as
deferred inflows of resources in the governmental funds. 31,757

An Internal Service Fund is used by the District's management to charge the
costs of the partially self-funded health insurance program and employee
flexible benefit program to the individual funds. The net revenue of the Internal
Service Fund is reported with governmental activities. 452

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Position. 420,000

Interest on long-term debt in the Statement of Activities differs from the
amount reported in the governmental funds because interest is recorded as
an expenditure in the governmental funds when due. In the Statement of
Activities, however, interest expense is recognized as the interest accrues,
regardless of when it is due. 4,729

The current year District employer share of IPERS contributions are reported
as expenditures in the governmental funds, but are reported as a deferred
outflow of resources in the Statement of Net Position. (2,874)

WEST MARSHALL 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

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

	Early retirement	68,383	
	Pension expense	266,719	
	Net OPEB liability	<u>(109,000)</u>	<u>226,102</u>
		226,102	
Change in net position of governmental activities			\$ <u><u>1,146,328</u></u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Enterprise Funds			Governmental
	School Nutrition	Nonmajor Enterprise Fund	Total	Activities Internal Service Fund
Assets				
Cash and cash equivalents	\$ 59,454	\$ 46,180	\$ 105,634	\$ 39,618
Due from other governments	-	3,019	3,019	-
Inventories	17,001	-	17,001	-
Capital assets, net of accumulated depreciation (note 4)	143,930	-	143,930	-
Total assets	<u>220,385</u>	<u>49,199</u>	<u>269,584</u>	<u>39,618</u>
Deferred Outflows of Resources				
Pension related deferred outflows	<u>17,346</u>	<u>11,017</u>	<u>28,363</u>	<u>-</u>
Liabilities				
Accounts payable	215	-	215	3,468
Salaries and benefits payable	-	12,655	12,655	-
Unearned revenue	7,389	-	7,389	-
Net pension liability	85,490	54,293	139,783	-
Total liabilities	<u>93,094</u>	<u>66,948</u>	<u>160,042</u>	<u>3,468</u>
Deferred Inflows of Resources				
Pension related deferred inflows	<u>35,865</u>	<u>22,778</u>	<u>58,643</u>	<u>-</u>
Fund Net Position				
Net investment in capital assets	143,930	-	143,930	-
Unrestricted	<u>(35,158)</u>	<u>(29,510)</u>	<u>(64,668)</u>	<u>36,150</u>
Total fund net position	<u>\$ 108,772</u>	<u>\$ (29,510)</u>	<u>\$ 79,262</u>	<u>\$ 36,150</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise Funds			Governmental
	School Nutrition	Nonmajor Enterprise Fund	Total	Activities Internal Service Fund
Operating revenues:				
Local sources:				
Charges for services	\$ 246,979	\$ 95,055	\$ 342,034	\$ 65,813
Operating expenses:				
Instruction:				
Salaries	-	93,341	93,341	-
Benefits	-	46,589	46,589	-
Services	-	909	909	-
Supplies	-	6,557	6,557	-
Other	-	72	72	-
	-	147,468	147,468	-
Support services:				
Purchased services	4,783	-	4,783	65,427
Supplies	2,007	-	2,007	-
	6,790	-	6,790	65,427
Non-instructional programs:				
Salaries	147,155	-	147,155	-
Benefits	30,703	-	30,703	-
Purchased services	38	-	38	-
Supplies	246,197	-	246,197	-
Depreciation	19,750	-	19,750	-
	443,843	-	443,843	-
Total operating expenses	450,633	147,468	598,101	65,427
Operating income (loss)	(203,654)	(52,413)	(256,067)	386

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 Year Ended June 30, 2015

	Enterprise Funds			Governmental
	School Nutrition	Nonmajor Enterprise Fund	Total	Activities Internal Service Fund
Non-operating revenues:				
State sources	\$ 3,920	\$ -	\$ 3,920	\$ -
Federal sources	204,930	-	204,930	-
Interest income	80	-	80	66
Total non-operating revenues	<u>208,930</u>	<u>-</u>	<u>208,930</u>	<u>66</u>
Change in fund net position	5,276	(52,413)	(47,137)	452
Fund net position beginning of year, as restated (note 12)	<u>103,496</u>	<u>22,903</u>	<u>126,399</u>	<u>35,698</u>
Fund net position end of year	<u>\$ 108,772</u>	<u>\$ (29,510)</u>	<u>\$ 79,262</u>	<u>\$ 36,150</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise Funds			Governmental
	School Nutrition	Nonmajor Enterprise Fund	Total	Activities Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 245,052	\$ -	\$ 245,052	\$ -
Cash received from miscellaneous operating activities	1,201	92,036	93,237	65,813
Cash paid to employees for services	(178,157)	(107,309)	(285,466)	-
Cash paid to suppliers for goods or services	(205,463)	(7,538)	(213,001)	(67,705)
Net cash used by operating activities	<u>(137,367)</u>	<u>(22,811)</u>	<u>(160,178)</u>	<u>(1,892)</u>
Cash flows from non-capital financing activities:				
State grants received	3,920	-	3,920	-
Federal grants received	164,694	-	164,694	-
Net cash provided by non-capital financing activities	<u>168,614</u>	<u>-</u>	<u>168,614</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>80</u>	<u>-</u>	<u>80</u>	<u>66</u>
Net increase (decrease) in cash and cash equivalents	31,327	(22,811)	8,516	(1,826)
Cash and cash equivalents beginning of year	<u>28,127</u>	<u>68,991</u>	<u>97,118</u>	<u>41,444</u>
Cash and cash equivalents end of year	<u>\$ 59,454</u>	<u>\$ 46,180</u>	<u>\$ 105,634</u>	<u>\$ 39,618</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise Funds		Total	Governmental
	School Nutrition	Nonmajor Enterprise Fund		Activities Internal Service Fund
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	\$ (203,654)	\$ (52,413)	\$ (256,067)	\$ 386
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Commodities used	40,236	-	40,236	-
Depreciation	19,750	-	19,750	-
Increase in due from other governments	-	(3,019)	(3,019)	-
Decrease in inventories	7,416	-	7,416	-
(Decrease) in accounts payable	(90)	-	(90)	(2,278)
Increase (decrease) in salaries and benefits payable	(239)	4,867	4,628	-
(Decrease) in unearned revenue	(726)	-	(726)	-
Increase (decrease) in net pension liability	(30,387)	11,648	(18,739)	-
(Increase) in deferred outflows of resources	(5,538)	(6,672)	(12,210)	-
Increase in deferred inflows of resources	35,865	22,778	58,643	-
Net cash used by operating activities	\$ <u>(137,367)</u>	\$ <u>(22,811)</u>	\$ <u>(160,178)</u>	\$ <u>(1,892)</u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$40,236 of federal commodities.

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

West Marshall 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 Cities of State Center, Melbourne, Rhodes, Clemons, St. Anthony and Lamaille, Iowa, and agricultural territory in Marshall County. 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 Marshall 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. West Marshall 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 does 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 Marshall County Assessor's Conference Board.

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following 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 attributable to the acquisition, construction, or improvement of those assets.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

In addition, the District reports a Proprietary Fund, Internal Service to account for the District's partially self-funded insurance and flexible benefits programs.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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 funds are 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.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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, and non-negotiable certificates of deposit, which are stated at cost.

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

Property Tax Receivable – Property tax receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the 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.

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

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

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

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Land	\$ 1,000
Buildings	5,000
Improvements other than buildings	25,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Intangibles	3-20 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

Unearned Revenue – Meal account proceeds which have been received by the District but will be earned in a succeeding fiscal year have been accrued as liabilities.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

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

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

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure 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 as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>1,014,053</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>547,794</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Construction in progress	-	90,793	-	90,793
Total capital assets not being depreciated	<u>125,000</u>	<u>90,793</u>	<u>-</u>	<u>215,793</u>
Capital assets being depreciated:				
Buildings	17,197,806	65,305	-	17,263,111
Improvements other than buildings	713,452	-	-	713,452
Furniture and equipment	1,151,332	365,736	267,249	1,249,819
Total capital assets being depreciated	<u>19,062,590</u>	<u>431,041</u>	<u>267,249</u>	<u>19,226,382</u>
Less accumulated depreciation for:				
Buildings	4,707,128	357,616	-	5,064,744
Improvements other than buildings	411,519	30,279	-	441,798
Furniture and equipment	935,755	84,640	267,249	753,146
Total accumulated depreciation	<u>6,054,402</u>	<u>472,535</u>	<u>267,249</u>	<u>6,259,688</u>
Total capital assets being depreciated, net	<u>13,008,188</u>	<u>(41,494)</u>	<u>-</u>	<u>12,966,694</u>
Governmental activities capital assets, net	<u>\$ 13,133,188</u>	<u>\$ 49,299</u>	<u>\$ -</u>	<u>\$ 13,182,487</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 307,189	\$ -	\$ -	\$ 307,189
Less accumulated depreciation	143,509	19,750	-	163,259
Business-type activities capital assets, net	<u>\$ 163,680</u>	<u>\$ (19,750)</u>	<u>\$ -</u>	<u>\$ 143,930</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 4,339

Support services:

Operation and maintenance of plant 3,454

Transportation 76,846

84,639

Unallocated depreciation 387,896

Total depreciation expense - governmental activities \$ 472,535

Business-type activities:

Food service operations \$ 19,750

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 271,914	\$ -	\$ 68,383	\$ 203,531	\$ 47,569
General obligation bonds	3,600,000	-	170,000	3,430,000	175,000
Revenue bonds	5,825,000	-	250,000	5,575,000	260,000
Net pension liability	4,006,552	-	1,265,824	2,740,728	-
Net OPEB liability	222,000	109,000	-	331,000	-
Total	\$ 13,925,466	\$ 109,000	\$ 1,754,207	\$ 12,280,259	\$ 482,569
Business-type activities:					
Net pension liability	\$ 158,522	\$ -	\$ 18,739	\$ 139,783	\$ -
Total	\$ 158,522	\$ -	\$ 18,739	\$ 139,783	\$ -

Early Retirement

The District offered no new early retirement plan for the year ended June 30, 2015. The District offered a voluntary early retirement plan to all employees for the year ended June 30, 2014. All eligible certified employees and administrators must have had at least ten years of consecutive half-time service to the District and must have reached the age of fifty-five on or before July 31 in the calendar year in which early retirement commenced. All eligible classified employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before July 31 in the calendar year in which early retirement commenced. The application for early retirement was subject to approval by the Board of Education.

Ongoing early retirement benefits for certified employees consists of District payment of a maximum of \$450 per month for the cost of single health insurance until age 65.

Ongoing early retirement incentive for administrators consists of paid single health and family dental insurance at District cost until the employee reaches age 65 or otherwise becomes eligible for Medicare. The cost of health insurance paid by the District for administration has no dollar cap.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities (continued)

Early Retirement (continued)

At June 30, 2015 the District had obligations to 11 participants with a total liability of \$203,531. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$68,383. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond issue dated June 2010			
	Interest Rates	Principal	Interest	Total
2016	3.00 %	\$ 175,000	\$ 134,350	\$ 309,350
2017	3.50	180,000	129,100	309,100
2018	3.50	185,000	122,800	307,800
2019	4.00	195,000	116,325	311,325
2020	4.00	200,000	108,525	308,525
2021-2025	4.00	1,130,000	415,825	1,545,825
2026-2030	4.000-4.125	1,365,000	171,669	1,536,669
		<u>\$ 3,430,000</u>	<u>\$ 1,198,594</u>	<u>\$ 4,628,594</u>

Revenue Bonds

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

Year Ending June 30,	Bond issue dated January 2010			
	Interest Rates	Principal	Interest	Total
2016	3.50 %	\$ 260,000	\$ 231,780	\$ 491,780
2017	3.50	270,000	222,505	492,505
2018	3.50	280,000	212,880	492,880
2019	3.70	290,000	202,615	492,615
2020	3.75	300,000	191,625	491,625
2021-2025	4.00-4.40	1,705,000	759,925	2,464,925
2026-2030	4.50-4.75	2,470,000	336,100	2,806,100
		<u>\$ 5,575,000</u>	<u>\$ 2,157,430</u>	<u>\$ 7,732,430</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,900,000 bonds issued in January 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the local statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$7,732,430. For the current year, principal and interest paid on the bonds totaled \$490,705 and statewide sales, services and use tax revenues totaled \$815,019.

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

- Bonds maturing after January 1, 2019, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$508,900 of the proceeds from the bonds issued have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Moines in The revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Note 6. Pension Plan

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

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

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

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 \$426,067.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$2,880,511 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 proportion was 0.0726318 percent, which was an increase of 0.000091 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$189,918. 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
Difference between expected and actual experience	\$ 31,306	\$ -
Changes of assumptions	127,123	-
Net difference between projected and actual earnings on pension plan investments	-	1,098,544
Changes in proportion and differences between District contributions and proportionate share of contributions	-	109,916
District contributions subsequent to the measurement date	426,067	-
Total	\$ 584,496	\$ 1,208,460

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

\$426,067 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 ending 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 Ending June 30,		
2016	\$	(263,301)
2017		(263,301)
2018		(263,301)
2019		(263,301)
2020		<u>3,173</u>
Total	\$	<u><u>(1,050,031)</u></u>

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
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan 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:

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	100%	

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, 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	\$ 5,442,644	\$ 2,880,511	\$ 717,805

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.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 63 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is 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 subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 159,177
Interest on net OPEB obligation	5,544
Adjustment to annual required contribution	<u>10,204</u>
Annual OPEB cost	154,517
Contributions made	<u>45,517</u>
Increase in net OPEB obligation	109,000
Net OPEB obligation beginning of year	<u>222,000</u>
Net OPEB obligation end of year	<u><u>\$ 331,000</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 \$45,517 to the medical plan.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 144,293	39.9%	\$ 120,000
2014	147,756	31.0%	222,000
2015	154,517	29.5%	331,000

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 \$901,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$901,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,433,000, and the ratio of the UAAL to covered payroll was 37.4%. 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, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis.

Projected claim costs of the medical plan are \$949 per month. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Risk Management

The District partially self-funds health insurance benefits for District employees. The District purchased a health plan with deductibles of \$2,000 for individuals and \$4,000 for families while employees see actual deductibles of \$250 and \$500 for single and family policies, respectively. The maximum liability to the District under this arrangement is \$263,250 for the year ended June 30, 2015, and actual payments made totaled \$65,427. The District has not reported any liabilities for incurred but not reported claims required under Financial Accounting and Standards Board Statement Number 5 due to the small size of the plan. Section 509A.15 of the Code of Iowa exempts such small plans from actuarial studies and such claims would be difficult to estimate otherwise.

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$368,187 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

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

Program	Amount
Gifted and talented programs	\$ 100,254
Home school assistance program	22,648
Professional development for model core curriculum	16,823
Limited English proficiency	6,767
Successful progression for early readers	6,678
Returning dropouts and dropout prevention programs	2,412
Teacher salary supplement	1,392
At-risk programs	728
Teacher leadership grants	83
Professional development	3
Total	\$ 157,788

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Construction Commitments

The District has entered into various contracts totaling \$528,943 for a track project. As of June 30, 2015, costs of \$57,850 had been incurred against the contracts. The balance of \$471,093 remaining at June 30, 2015 will be paid as work on the project progresses.

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local government 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	Proprietary Funds	
			School Nutrition	Preschool
Net position June 30, 2014, as previously reported	\$ 8,272,254	\$ 268,768	\$ 207,565	\$ 61,203
Net pension liability at June 30, 2014	(4,006,522)	(158,522)	(115,877)	(42,645)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>408,265</u>	<u>16,153</u>	<u>11,808</u>	<u>4,345</u>
Net position July 1, 2014, as restated	<u>\$ 4,673,997</u>	<u>\$ 126,399</u>	<u>\$ 103,496</u>	<u>\$ 22,903</u>

Required Supplementary Information

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2015

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 4,209,610	\$ 342,114	\$ 4,551,724	\$ 5,193,704	\$ (641,980)
Intermediate sources	9,800	-	9,800	-	9,800
State sources	5,808,869	3,920	5,812,789	5,022,816	789,973
Federal sources	176,070	204,930	381,000	203,028	177,972
Total revenues	10,204,349	550,964	10,755,313	10,419,548	335,765
EXPENDITURES/EXPENSES:					
Instruction	5,435,516	147,468	5,582,984	6,265,000	682,016
Support services	3,102,140	6,790	3,108,930	4,145,400	1,036,470
Non-instructional programs	-	443,843	443,843	550,000	106,157
Other expenditures	1,268,287	-	1,268,287	1,224,856	(43,431)
Total expenditures/expenses	9,805,943	598,101	10,404,044	12,185,256	1,781,212
Excess (deficiency) of revenues over (under) expenditures/ expenses	398,406	(47,137)	351,269	(1,765,708)	2,116,977
Other financing sources, net	18,457	-	18,457	-	18,457
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	416,863	(47,137)	369,726	(1,765,708)	2,135,434
Balance beginning of year, as restated	4,811,008	126,399	4,937,407	4,129,620	807,787
Balance end of year	\$ <u>5,227,871</u>	\$ <u>79,262</u>	\$ <u>5,307,133</u>	\$ <u>2,363,912</u>	\$ <u>2,943,221</u>

See accompanying independent auditor's report.

WEST MARSHALL 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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, 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 a GAAP basis.

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

During the year ended June 30, 2015, expenditures/expenses in the other expenditures function exceeded the amount budgeted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

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

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.0726318
District's proportionate share of the net pension liability	\$ 2,881
District's covered-employee payroll	\$ 4,771
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.37%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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

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WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

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

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 426	\$ 424	\$ 412	\$ 386
Contributions in relation to the statutorily required contribution	<u>426</u>	<u>424</u>	<u>412</u>	<u>386</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,771	\$ 4,753	\$ 4,757	\$ 4,783
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 330	\$ 308	\$ 288	\$ 234	\$ 226	\$ 216
<u>330</u>	<u>308</u>	<u>288</u>	<u>234</u>	<u>226</u>	<u>216</u>
<u>\$ -</u>					
\$ 4,746	\$ 4,628	\$ 4,543	\$ 3,884	\$ 3,931	\$ 3,751
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

WEST MARSHALL 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.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

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

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

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 710	\$ 710	0.0%	\$ 2,800	25.4%
2011	July 1, 2009	-	710	710	0.0%	3,040	23.4%
2012	July 1, 2009	-	710	710	0.0%	3,030	23.4%
2013	July 1, 2012	-	973	973	0.0%	2,332	41.7%
2014	July 1, 2012	-	901	901	0.0%	2,394	37.6%
2015	July 1, 2012	-	901	901	0.0%	2,433	37.4%

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

See accompanying independent auditor's report.

Supplementary Information

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
Assets				
Cash and pooled investments	\$ 155,565	\$ 78,418	\$ 380,721	\$ 614,704
Receivables:				
Property tax:				
Current year	1,818	-	2,725	4,543
Succeeding year	180,000	-	259,850	439,850
Accounts	-	1,422	-	1,422
	<hr/>			
Total assets	<u>\$ 337,383</u>	<u>\$ 79,840</u>	<u>\$ 643,296</u>	<u>\$ 1,060,519</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ 1,825</u>	<u>\$ -</u>	<u>\$ 1,825</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	<u>180,000</u>	<u>-</u>	<u>259,850</u>	<u>439,850</u>
Fund balances:				
Restricted for:				
Debt service	-	-	383,446	383,446
Management levy purposes	157,383	-	-	157,383
Student activities	-	78,015	-	78,015
Total fund balances	<u>157,383</u>	<u>78,015</u>	<u>383,446</u>	<u>618,844</u>
	<hr/>			
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 337,383</u>	<u>\$ 79,840</u>	<u>\$ 643,296</u>	<u>\$ 1,060,519</u>

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2015

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 170,624	\$ -	\$ 258,886	\$ 429,510
Other	368	118,078	162	118,608
Total revenues	<u>170,992</u>	<u>118,078</u>	<u>259,048</u>	<u>548,118</u>
Expenditures:				
Current:				
Instruction	69,148	183,497	-	252,645
Support services:				
Administration	101,866	-	292	102,158
Operation and maintenance of plant	68,939	-	-	68,939
Transportation	9,706	-	-	9,706
Other expenditures:				
Long term debt:				
Principal	-	-	420,000	420,000
Interest and fiscal charges	-	-	381,805	381,805
Total expenditures	<u>249,659</u>	<u>183,497</u>	<u>802,097</u>	<u>1,235,253</u>
(Deficiency) of revenues under expenditures	(78,667)	(65,419)	(543,049)	(687,135)
Other financing sources (uses):				
Interfund transfers in	-	-	547,794	547,794
Net change in fund balances	(78,667)	(65,419)	4,745	(139,341)
Fund balances beginning of year	<u>236,050</u>	<u>143,434</u>	<u>378,701</u>	<u>758,185</u>
Fund balances end of year	<u>\$ 157,383</u>	<u>\$ 78,015</u>	<u>\$ 383,446</u>	<u>\$ 618,844</u>

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,167,886	\$ 14,422	\$ 1,182,308
Receivables:			
Property tax:			
Current year	-	845	845
Succeeding year	-	82,187	82,187
Due from other governments	127,017	-	127,017
 Total assets	 \$ 1,294,903	 \$ 97,454	 \$ 1,392,357
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	82,187	82,187
 Fund balances:			
Restricted for:			
Revenue bonds reserve fund	508,900	-	508,900
School infrastructure	786,003	-	786,003
Physical plant and equipment	-	15,267	15,267
Total fund balances	1,294,903	15,267	1,310,170
 Total deferred inflows of resources and fund balances	 \$ 1,294,903	 \$ 97,454	 \$ 1,392,357

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 80,296	\$ 80,296
Other	7,386	57	7,443
State sources	815,019	-	815,019
Total revenues	822,405	80,353	902,758
Expenditures:			
Current:			
Support services:			
Administration	131	64	195
Operation and maintenance of plant	-	7,799	7,799
Transportation	160,978	91,632	252,610
Other expenditures:			
Facilities acquisition	92,157	6,138	98,295
Total expenditures	253,266	105,633	358,899
Excess (deficiency) of revenues over (under) expenditures	569,139	(25,280)	543,859
Other financing sources (uses):			
Interfund transfers out	(547,794)	-	(547,794)
Net change in fund balances	21,345	(25,280)	(3,935)
Fund balances beginning of year	1,273,558	40,547	1,314,105
Fund balances end of year	\$ 1,294,903	\$ 15,267	\$ 1,310,170

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 3,962	\$ 2,872	\$ 2,126	\$ 4,708
Speech	133	-	126	7
Cross Country	818	240	1,045	13
Elementary Renaissance	394	-	394	-
Spanish Club	244	-	-	244
Athletic Memberships	5,462	13,945	17,826	1,581
Golf	4,865	1,455	2,350	3,970
Basketball	8,119	9,752	9,217	8,654
Volleyball	2,325	3,240	2,494	3,071
Football	10,149	10,015	15,427	4,737
Baseball	146	6,664	5,382	1,428
Track	18	-	(11)	29
Wrestling	275	2,625	2,874	26
Softball	4,761	6,885	7,533	4,113
FFA	79,227	29,223	88,840	19,610
National Honor Society	295	274	569	-
HS Cheerleaders	1,183	-	553	630
MS Cheerleaders	2,000	1,235	3,235	-
Dance Team	829	-	-	829
Class of 2015	417	2,368	587	2,198
Class of 2016	35	2,506	679	1,862
Class of 2017	165	200	-	365
Class of 2018	397	-	-	397
MS Student Council	1,016	7,816	6,804	2,028
HS Student Council	798	1,314	1,193	919
Interest	590	143	50	683
Annual	11,696	7,408	7,563	11,541
FBLA	582	-	-	582
Tech Club	892	3,425	2,017	2,300
Ag Day	78	-	-	78
MS Renaissance	679	-	293	386
HS Renaissance	409	209	-	618
FCCLA	475	1,664	1,731	408
Cash on Hand	-	2,600	2,600	-
Total	\$ 143,434	\$ 118,078	\$ 183,497	\$ 78,015

See accompanying independent auditor's report.

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WEST MARSHALL 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
Revenues:				
Local sources:				
Local tax	\$ 3,087,208	\$ 3,107,316	\$ 3,651,461	\$ 3,645,138
Tuition	830,843	757,447	726,391	596,096
Other	291,559	345,709	299,976	371,526
Intermediate sources	9,800	-	797	-
State sources	5,808,869	5,558,720	4,703,100	4,517,655
Federal sources	176,070	175,528	168,317	307,408
Total revenues	\$ 10,204,349	\$ 9,944,720	\$ 9,550,042	\$ 9,437,823
Expenditures:				
Instruction	\$ 5,435,516	\$ 5,168,530	\$ 5,064,589	\$ 5,119,015
Support services:				
Student	264,870	316,169	278,416	274,058
Instructional staff	259,260	320,066	263,720	459,795
Administration	879,197	927,070	873,977	886,561
Operation and maintenance of plant	835,067	949,451	1,116,997	912,717
Transportation	863,746	585,576	574,744	561,578
Other expenditures:				
Facilities acquisition	98,295	91,812	332,677	1,319,695
Long-term debt:				
Principal	420,000	370,000	365,000	350,000
Interest and fiscal charges	381,805	395,553	408,140	418,961
AEA flowthrough	368,187	352,060	343,131	350,121
Total expenditures	\$ 9,805,943	\$ 9,476,287	\$ 9,621,391	\$ 10,652,501

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	3,376,272	\$ 3,025,310	\$ 2,984,118	\$ 2,798,167	\$ 2,849,760	\$ 2,707,089
	557,912	456,314	528,621	451,647	339,047	332,004
	553,278	395,569	330,592	408,071	375,346	319,217
	5,475	6,780	5,700	18,565	-	-
	4,551,255	3,914,188	4,654,608	4,267,844	4,017,081	3,755,551
	376,599	739,200	164,927	150,082	131,078	143,735
\$	<u>9,420,791</u>	<u>8,537,361</u>	<u>8,668,566</u>	<u>8,094,376</u>	<u>7,712,312</u>	<u>7,257,596</u>
\$	5,141,683	\$ 5,100,680	\$ 5,182,907	\$ 4,546,804	\$ 4,154,733	\$ 3,813,183
	315,492	348,493	295,192	289,659	298,672	279,759
	290,322	215,543	109,868	186,558	111,777	110,117
	779,883	773,205	760,549	725,556	666,566	580,055
	816,477	832,409	798,197	817,383	615,841	703,672
	492,356	396,565	360,307	408,757	520,035	414,913
	7,132,946	1,796,163	253,519	96,529	305,221	36,957
	320,000	250,000	245,000	230,000	225,000	220,000
	428,600	40,295	47,645	54,545	60,732	65,833
	383,743	372,205	325,177	298,826	277,407	254,985
\$	<u>16,101,502</u>	<u>10,125,558</u>	<u>8,378,361</u>	<u>7,654,617</u>	<u>7,235,984</u>	<u>6,479,474</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
West Marshall Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Marshall 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 November 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Marshall 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 Marshall Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting.

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 that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether West Marshall 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 that are described in Part II of the accompanying Schedule of Findings.

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

West Marshall Community School District's Responses to the Findings

West Marshall Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. West Marshall 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 results 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 report is not suitable for any other purpose.

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

Hunt & Associates, P.C.

Oskaloosa, Iowa
November 2, 2015

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

II-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, exceeded the amount budgeted in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget in sufficient amounts before expenditures exceed the budget in the future.

Conclusion – Response accepted.

II-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

II-D-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Craig Weuve, bus driver, owner of Weuve Enterprises	School services	\$1,078
Shelby Larsen, daughter of Board President, Wayne Larsen	School services	\$680
Rhonda Reker, Teacher aide, Owner of Rhonda’s Rolls	School supplies	\$300

In accordance with Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent conflicts of interest since the cumulative amounts did not exceed \$2,500 for the fiscal year.

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 ensure that the coverage is adequate for current operations.

II-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting (continued):

II-G-15 Certified Enrollment – The number of basic resident students and open enrolled students reported to the Iowa Department of Education for October 1, 2014 was understated by 2.0 students.

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

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

Conclusion – Response accepted.

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

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

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

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

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:

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting (continued):

II-L-15 Statewide Sales, Services and Use Tax (continued)

Beginning balance		\$	1,273,558
Revenues:			
Interest	\$	7,386	
Statewide sales, services and use tax		815,019	822,405
Expenditures/transfers out:			
School infrastructure construction		92,157	
Equipment		160,978	
Other		131	
Transfers to other funds:			
Debt Service Fund		547,794	801,060
Ending balance		\$	1,294,903

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 Condition – The District’s Governmental Activities had a deficit unrestricted net position of \$157,220 at June 30, 2015. The District’s Business-Type Activities had a deficit unrestricted net position of \$64,668 at June 30, 2015. In addition, the Enterprise Funds, School Nutrition and Child Care had deficit unrestricted net positions of \$35,158 and \$29,510, respectively, at June 30, 2015. These deficit balances arose due to the implementation of Governmental Accounting Standards Board Statement Number 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB 27 which required the inclusion of the District’s proportionate share of the IPERS pension liability and related deferred inflows and outflows in the District’s financial statements.

Recommendation – Even though the deficits arose due to the inclusion of the proportionate share of the IPERS net pension liability in the financial statements, the District should investigate ways to return the governmental and business-type activities and the Nutrition and Child Care Funds to sound financial conditions.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the District’s proportionate share of the IPERS liability. However, we will look into this situation and investigate ways to return the associated activities and funds to sound financial conditions.

Conclusion – Response accepted.