

WESTWOOD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Westwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Rob Copple	President	2015
Lee Haveman	Vice President	2017
Roxie Ullrich	Board Member	2015
Diana Nordstrom	Board Member	2017
Cathy Wilt	Board Member	2015
School Officials		
Jay Lutt	Superintendent	2015
Jill Sponder	District Secretary/Treasurer	2015
Ahlers & Cooney, P.C.	Attorney	2015

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

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Westwood 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 13 to the financial statements, Westwood Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Westwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2016 on our consideration of Westwood Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Westwood Community School District's internal control over financial reporting and compliance.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,445,533 in fiscal year 2014 to \$6,419,513 in fiscal year 2015, while General Fund expenditures decreased from \$6,111,598 in fiscal year 2014 to \$6,107,950 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from \$1,167,640 at June 30, 2014 to \$1,479,203 at June 30, 2015, a 26.68% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state sources received as compared to the previous year. The decrease in expenditures was attributable to a decrease in support services expenditures incurred as compared to the prior year.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Westwood 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 Westwood 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 Westwood Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

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

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

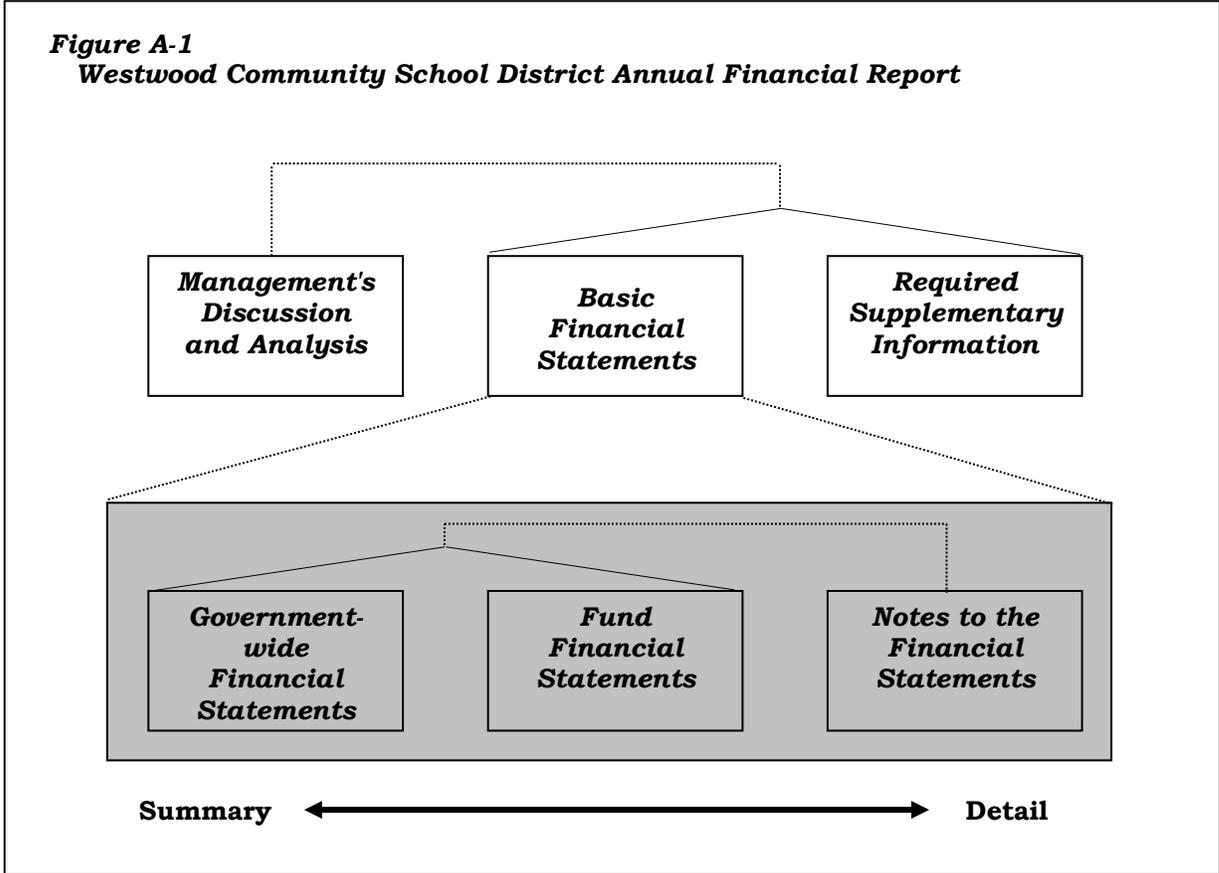


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition 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 established other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and other assets	\$ 7,924,851	7,153,435	28,292	14,761	7,953,143	7,168,196	10.95%
Capital assets	7,575,275	7,322,158	23,309	14,495	7,598,584	7,336,653	3.57%
Total assets	15,500,126	14,475,593	51,601	29,256	15,551,727	14,504,849	7.22%
Deferred outflows of resources	439,583	-	13,085	-	452,668	-	100.00%
Long-term liabilities	2,418,657	93,311	77,622	4,632	2,496,279	97,943	2448.71%
Other liabilities	995,742	475,255	16,967	3,577	1,012,709	478,832	111.50%
Total liabilities	3,414,399	568,566	94,589	8,209	3,508,988	576,775	508.38%
Deferred inflows of resources	4,665,575	3,634,902	27,188	-	4,692,763	3,634,902	29.10%
Net position:							
Net investment in capital assets	7,575,275	7,322,158	23,309	14,495	7,598,584	7,336,653	3.57%
Restricted	1,644,016	1,982,685	-	-	1,644,016	1,982,685	-17.08%
Unrestricted	(1,359,556)	967,282	(80,400)	6,552	(1,439,956)	973,834	-247.86%
Total net position	\$ 7,859,735	10,272,125	(57,091)	21,047	7,802,644	10,293,172	-24.20%

The District's combined net position decreased by \$2,490,528, or 24.20% from the prior year. The largest portion of the District's net position is invested in capital assets, net the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$338,669, or 17.08% from the prior year. The decrease was primarily due to a decrease in the Capital Projects Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$2,413,790, or 247.86%. The decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,847,407 and \$88,670, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4							
	Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15	
Revenues:								
Program revenues:								
Charges for service	\$ 971,254	921,037	159,410	143,010	1,130,664	1,064,047	6.26%	
Operating grants, contributions and restricted interest	508,655	524,301	154,099	165,568	662,754	689,869	-3.93%	
General revenues:								
Property tax	3,623,290	3,537,408	-	-	3,623,290	3,537,408	2.43%	
Income surtax	219,207	222,444	-	-	219,207	222,444	-1.46%	
Statewide sales, services and use tax	496,366	473,505	-	-	496,366	473,505	4.83%	
Unrestricted state grants	2,132,678	2,241,203	-	-	2,132,678	2,241,203	-4.84%	
Unrestricted investment earnings	2,388	2,954	2	3	2,390	2,957	-19.17%	
Other	42,686	116,051	3,775	2,719	46,461	118,770	-60.88%	
Total revenues	7,996,524	8,038,903	317,286	311,300	8,313,810	8,350,203	-0.44%	
Program expenses:								
Instruction	5,011,910	4,828,802	-	-	5,011,910	4,828,802	3.79%	
Support services	2,041,602	2,149,007	-	-	2,041,602	2,149,007	-5.00%	
Non-instructional programs	1,252	946	318,525	325,606	319,777	326,552	-2.07%	
Other expenses	494,972	462,375	-	-	494,972	462,375	7.05%	
Total expenses	7,549,736	7,441,130	318,525	325,606	7,868,261	7,766,736	1.31%	
Excess(Deficiency) of revenues over(under) expenses	446,788	597,773	(1,239)	(14,306)	445,549	583,467	23.64%	
Transfers	(11,771)	-	11,771	-	-	-	0.00%	
Change in net position	435,017	597,773	10,532	(14,306)	445,549	583,467	-23.64%	
Net position beginning of year, as restated	7,424,718	9,674,352	(67,623)	35,353	7,357,095	9,709,705	-24.23%	
Net position end of year	\$ 7,859,735	10,272,125	(57,091)	21,047	7,802,644	10,293,172	-24.20%	

In fiscal year 2015, property tax and unrestricted state grants accounted for 71.98% of the revenue from governmental activities while charges for service and operating grants, contributions, and restricted interest accounted for 98.81% of the revenue from business type activities.

The District's total revenues were approximately \$8.31 million of which approximately \$7.99 million was for governmental activities and approximately \$0.32 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.44% decrease in revenues and a 1.31% increase in expenses. The decrease in revenues can be attributed to a decrease in unrestricted state grants received as compared to the prior year. The increase in expenses is primarily due to an increase in expenditures incurred in the instruction functional area as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$7,996,524 and expenses were \$7,549,736 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 5,011,910	4,828,802	3.79%	3,778,620	3,621,815	4.33%
Support services	2,041,602	2,149,007	-5.00%	2,019,300	2,135,107	-5.42%
Non-instructional programs	1,252	946	32.35%	1,252	946	32.35%
Other expenses	494,972	462,375	7.05%	270,655	237,924	13.76%
Total	<u>\$ 7,549,736</u>	<u>7,441,130</u>	<u>1.46%</u>	<u>6,069,827</u>	<u>5,995,792</u>	<u>1.23%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$971,254.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$508,655.
- The net cost of governmental activities was financed with property tax of \$3,623,290, income surtax of \$219,207, statewide sales, services and use tax of \$496,366, unrestricted state grants of \$2,132,678, interest income of \$2,388 and other general revenues of \$42,686.

Business Type Activities

Revenues for business type activities were \$317,286 and expenses totaled \$318,525 for the year ended June 30, 2015. The District's only business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and other general revenue.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,899,466, above last year's ending fund balance of \$2,849,137. The primary reason for this increase in combined fund balances is the increase in fund balances of the General Fund and Management Levy Fund during the year.

Governmental Fund Highlights

- The District's General Fund financial position is a product of many factors. The General Fund balance increased from \$1,167,640 at June 30, 2014, to \$1,479,203 at June 30, 2015. A decrease in state sources received during the year as compared to the prior year resulted in a decrease in revenues. The decrease in support services expenditures resulted in a decrease in expenses. Revenues outpaced expenditures ensuring an increase in ending fund balance.
- The Management Levy Fund balance increased from \$132,754 at June 30, 2014, to \$393,383 at June 30, 2015. This increase is primarily due to revenues exceeding expenses during the year.
- The Capital Projects Fund balance decreased from \$1,429,066 at June 30, 2014, to \$897,182 at June 30, 2015. This decrease is primarily attributable to increased capital outlay expenditures on District construction projects.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a deficit restated balance of \$67,623 at July 1, 2014 to a deficit of \$57,091 at June 30, 2015, representing an increase of 15.57%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$96,557 less than budgeted revenues, a variance of 1.15%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$7,598,584, 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) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$429,427.

The original cost of the District's capital assets was \$14,405,495. Governmental funds accounted for \$14,227,004 of this total, with the remainder of \$178,491 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$38,399 at June 30, 2015, compared to \$170,989 reported at June 30, 2014. This decrease is attributable to the completion of the District's roof replacement project.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Land	\$ 76,000	76,000	-	-	76,000	76,000	0.00%
Construction in progress	38,399	170,989	-	-	38,399	170,989	-77.54%
Buildings	6,749,893	6,346,226	-	-	6,749,893	6,346,226	6.36%
Land improvements	212,616	232,312	-	-	212,616	232,312	-8.48%
Machinery and equipment	498,367	496,631	23,309	14,495	521,676	511,126	2.06%
Total	\$ 7,575,275	7,322,158	23,309	14,495	7,598,584	7,336,653	3.57%

Long-Term Debt

At June 30, 2015, the District had \$2,496,279 in long-term debt outstanding. This represents an increase of 2448.71% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 3 to the financial statements.

At June 30, 2015, the District had compensated absences of \$8,791 payable from the General Fund.

At June 30, 2015, the District had a total net pension liability of \$2,360,608. Of this total, \$2,289,317 is attributable to the District's governmental activities while the remaining \$71,291 is attributable to the District's business type activities.

At June 30, 2015, the District had a total net OPEB liability of \$126,880. \$120,549 of this total is attributable to the District's governmental activities while the remaining \$6,331 is attributable to the District's business type activities.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Compensated absences	\$ 8,791	5,119	-	-	8,791	5,119	71.73%
Net pension liability	2,289,317	-	71,291	-	2,360,608	-	100.00%
Net OPEB liability	120,549	88,192	6,331	4,632	126,880	92,824	36.69%
Total	\$ 2,418,657	93,311	77,622	4,632	2,496,279	97,943	2448.71%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The national recession that has adversely impacted the state of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid (allowable growth) to schools will be based on the condition of the state and national economies.
- The requirements contained within the Affordable Health Care Act may potentially impact the District's future employee benefit cost.
- With the implementation of GASB Statement No. 68 in FY15, the District is expected to book a liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements.

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 Jill Sponder, District Secretary/Treasurer, Westwood Community School District, 1000 Rebel Way, Sloan, Iowa, 51055.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,612,220	17,587	3,629,807
Receivables:			
Property tax:			
Delinquent	29,761	-	29,761
Succeeding year	3,792,495	-	3,792,495
Income surtax	204,033	-	204,033
Accounts	20,530	-	20,530
Due from other governments	265,812	-	265,812
Inventories	-	10,705	10,705
Capital assets, net of accumulated depreciation	7,575,275	23,309	7,598,584
TOTAL ASSETS	15,500,126	51,601	15,551,727
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	439,583	13,085	452,668
LIABILITIES			
Accounts payable	322,117	431	322,548
Salaries and benefits payable	667,609	12,900	680,509
Advances from grantors	6,016	-	6,016
Unearned revenue	-	3,636	3,636
Long-term liabilities:			
Due within one year:			
Compensated absences	8,791	-	8,791
Due after one year:			
Net pension liability	2,289,317	71,291	2,360,608
Net OPEB liability	120,549	6,331	126,880
TOTAL LIABILITIES	3,414,399	94,589	3,508,988
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	3,792,495	-	3,792,495
Pension related deferred inflows	873,080	27,188	900,268
TOTAL DEFERRED INFLOWS OF RESOURCES	4,665,575	27,188	4,692,763
NET POSITION			
Net investment in capital assets	7,575,275	23,309	7,598,584
Restricted for:			
Categorical funding	210,423	-	210,423
School infrastructure	504,990	-	504,990
Physical plant and equipment	392,192	-	392,192
Management levy purposes	393,383	-	393,383
Student activities	143,028	-	143,028
Unrestricted	(1,359,556)	(80,400)	(1,439,956)
TOTAL NET POSITION	\$ 7,859,735	(57,091)	7,802,644

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,680,457	258,784	67,056	(2,354,617)	-	(2,354,617)
Special	1,145,193	215,144	54,385	(875,664)	-	(875,664)
Other	1,186,260	492,999	144,922	(548,339)	-	(548,339)
	5,011,910	966,927	266,363	(3,778,620)	-	(3,778,620)
Support services:						
Student	200,281	-	11,314	(188,967)	-	(188,967)
Instructional staff	341,853	-	1,320	(340,533)	-	(340,533)
Administration	552,835	-	-	(552,835)	-	(552,835)
Operation and maintenance of plant	366,141	-	-	(366,141)	-	(366,141)
Transportation	580,492	4,327	5,341	(570,824)	-	(570,824)
	2,041,602	4,327	17,975	(2,019,300)	-	(2,019,300)
Non-instructional programs:						
Food service operations	1,252	-	-	(1,252)	-	(1,252)
Other expenses:						
AEA flowthrough	224,317	-	224,317	-	-	-
Depreciation(unallocated)*	270,655	-	-	(270,655)	-	(270,655)
	494,972	-	224,317	(270,655)	-	(270,655)
Total governmental activities	7,549,736	971,254	508,655	(6,069,827)	-	(6,069,827)
Business type activities:						
Non-instructional programs:						
Food service operations	318,525	159,410	154,099	-	(5,016)	(5,016)
Total	\$ 7,868,261	1,130,664	662,754	(6,069,827)	(5,016)	(6,074,843)
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 3,524,186	-	3,524,186
Capital outlay				99,104	-	99,104
Income surtax				219,207	-	219,207
Statewide sales, services and use tax				496,366	-	496,366
Unrestricted state grants				2,132,678	-	2,132,678
Unrestricted investment earnings				2,388	2	2,390
Other				42,686	3,775	46,461
Transfers				(11,771)	11,771	-
Total general revenues and transfers				6,504,844	15,548	6,520,392
Change in net position				435,017	10,532	445,549
Net position beginning of year, as restated				7,424,718	(67,623)	7,357,095
Net position end of year				\$ 7,859,735	(57,091)	7,802,644

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
ASSETS					
Cash and pooled investments	\$ 2,110,984	371,214	935,877	157,244	3,575,319
Receivables:					
Property tax:					
Delinquent	25,452	3,495	814	-	29,761
Succeeding year	3,079,629	600,000	112,866	-	3,792,495
Income surtax	204,033	-	-	-	204,033
Accounts	1,856	18,674	-	-	20,530
Due from other governments	189,178	-	76,634	-	265,812
TOTAL ASSETS	\$ 5,611,132	993,383	1,126,191	157,244	7,887,950
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 174,642	-	116,143	27,546	318,331
Salaries and benefits payable	667,609	-	-	-	667,609
Advances from grantors	6,016	-	-	-	6,016
Total liabilities	848,267	-	116,143	27,546	991,956
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,079,629	600,000	112,866	-	3,792,495
Income surtax	204,033	-	-	-	204,033
Total deferred inflows of resources	3,283,662	600,000	112,866	-	3,996,528
Fund balances:					
Restricted for:					
Categorical funding	210,423	-	-	-	210,423
School infrastructure	-	-	504,990	-	504,990
Physical plant and equipment	-	-	392,192	-	392,192
Management levy purposes	-	393,383	-	-	393,383
Student activities	-	-	-	143,028	143,028
Unassigned:					
General	1,268,780	-	-	-	1,268,780
Student activities	-	-	-	(13,330)	(13,330)
Total fund balances	1,479,203	393,383	897,182	129,698	2,899,466
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,611,132	993,383	1,126,191	157,244	7,887,950

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	2,899,466
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		7,575,275
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		33,115
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal year and therefore, is recognized as deferred inflows of resources in the governmental funds.		204,033
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	\$ 439,583	
Deferred inflows of resources	<u>(873,080)</u>	(433,497)
Long-term liabilities, including other postemployment benefits payable, compensated absences payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(2,418,657)</u>
Net position of governmental activities (page 18)	\$	<u><u>7,859,735</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
Revenues:					
Local sources:					
Local tax	\$ 3,291,028	425,502	99,104	-	3,815,634
Tuition	443,768	-	-	-	443,768
Other	64,285	28,128	1,423	503,289	597,125
State sources	2,429,417	-	496,366	-	2,925,783
Federal sources	187,351	-	-	-	187,351
Total revenues	<u>6,415,849</u>	<u>453,630</u>	<u>596,893</u>	<u>503,289</u>	<u>7,969,661</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,544,262	50,083	4,140	-	2,598,485
Special	1,127,268	-	-	-	1,127,268
Other	646,970	-	21,771	493,268	1,162,009
	<u>4,318,500</u>	<u>50,083</u>	<u>25,911</u>	<u>493,268</u>	<u>4,887,762</u>
Support services:					
Student	195,750	2,058	-	-	197,808
Instructional staff	111,848	687	196,626	-	309,161
Administration	533,592	24,987	-	-	558,579
Operation and maintenance of plant	303,276	86,839	-	-	390,115
Transportation	420,667	26,289	112,269	-	559,225
	<u>1,565,133</u>	<u>140,860</u>	<u>308,895</u>	<u>-</u>	<u>2,014,888</u>
Non-instructional programs:					
Food service operations	-	2,058	-	-	2,058
Capital outlay	-	-	793,971	-	793,971
Other expenditures:					
AEA flowthrough	224,317	-	-	-	224,317
Total expenditures	<u>6,107,950</u>	<u>193,001</u>	<u>1,128,777</u>	<u>493,268</u>	<u>7,922,996</u>
Excess(Deficiency) of revenues over(under) expenditures	307,899	260,629	(531,884)	10,021	46,665
Other financing sources:					
Proceeds from sale of equipment	3,664	-	-	-	3,664
Change in fund balances	311,563	260,629	(531,884)	10,021	50,329
Fund balances beginning of year	1,167,640	132,754	1,429,066	119,677	2,849,137
Fund balances end of year	<u>\$ 1,479,203</u>	<u>393,383</u>	<u>897,182</u>	<u>129,698</u>	<u>2,899,466</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds (page 22) \$ 50,329

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

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

Capital outlay	\$ 679,587	
Depreciation expense	<u>(426,470)</u>	253,117

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 16,144

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 26,863

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. 299,299

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:

Other postemployment benefits	(32,357)	
Pension expense	(174,706)	
Compensated absences	<u>(3,672)</u>	<u>(210,735)</u>

Change in net position of governmental activities (page 19) \$ 435,017

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

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
ASSETS		
Current assets:		
Cash and pooled investments	\$ 17,587	36,901
Inventories	10,705	-
Total current assets	28,292	36,901
Noncurrent assets:		
Capital assets, net of accumulated depreciation	23,309	-
TOTAL ASSETS	51,601	36,901
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	13,085	-
LIABILITIES		
Current liabilities:		
Accounts payable	431	3,786
Salaries and benefits payable	12,900	-
Unearned revenue	3,636	-
Total current liabilities	16,967	3,786
Noncurrent liabilities:		
Net pension liability	71,291	-
Net OPEB liability	6,331	-
Total noncurrent liabilities	77,622	-
TOTAL LIABILITIES	94,589	3,786
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	27,188	-
NET POSITION		
Net investment in capital assets	23,309	-
Unrestricted	(80,400)	33,115
TOTAL NET POSITION	\$ (57,091)	33,115

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
OPERATING REVENUES:		
Local sources:		
Charges for service	\$ 159,410	-
Miscellaneous	3,775	27,701
TOTAL OPERATING REVENUES	<u>163,185</u>	<u>27,701</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Food service operations:		
Salaries	110,127	-
Benefits	45,541	-
Services	3,528	-
Supplies	156,372	-
Depreciation	2,957	-
Other enterprise operations:		
Benefits	-	7,847
Services	-	3,710
TOTAL OPERATING EXPENSES	<u>318,525</u>	<u>11,557</u>
OPERATING INCOME(LOSS)	<u>(155,340)</u>	<u>16,144</u>
NON-OPERATING REVENUES:		
State sources	2,604	-
Federal sources	151,495	-
Interest income	2	-
TOTAL NON-OPERATING REVENUES	<u>154,101</u>	<u>-</u>
Change in net position before other financing sources	(1,239)	16,144
Other financing sources:		
Capital contributions	11,771	-
Change in net position	10,532	16,144
Net position beginning of year, as restated	<u>(67,623)</u>	<u>16,971</u>
Net position end of year	<u>\$ (57,091)</u>	<u>33,115</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 160,405	27,701
Cash received from miscellaneous operating activities	3,775	-
Cash payments to employees for services	(143,318)	(7,847)
Cash payments to suppliers for goods or services	(135,299)	(744)
Net cash provided by(used in) operating activities	<u>(114,437)</u>	<u>19,110</u>
Cash flows from non-capital financing activities:		
State grants received	2,604	-
Federal grants received	126,656	-
Net cash provided by non-capital financing activities	<u>129,260</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	2	-
Net increase in cash and pooled investments	14,825	19,110
Cash and pooled investments beginning of year	<u>2,762</u>	<u>17,791</u>
Cash and pooled investments end of year	<u>\$ 17,587</u>	<u>36,901</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (155,340)	16,144
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	24,839	-
Depreciation	2,957	-
Increase in inventories	(666)	-
Decrease in accounts receivable	30	-
Decrease in prepaid items	1,930	-
Increase in accounts payable	428	2,966
Increase in salaries and benefits payable	11,997	-
Increase in unearned revenue	965	-
Decrease in net pension liability	(27,883)	-
Increase in deferred outflows of resources	(2,581)	-
Increase in deferred inflows of resources	27,188	-
Increase in other postemployment benefits	1,699	-
Net cash provided by(used in) operating activities	<u>\$ (114,437)</u>	<u>19,110</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$24,839.

During the year ended June 30, 2015, the District received capital contributions of \$11,771 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 22,314
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 22,314</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

		<u>Private Purpose</u>	
		<u>Trust</u>	
		<u>Scholarship</u>	
Additions:			
Local sources:			
Contributions	\$	3,100	
Interest		28	
Total additions		<u>3,128</u>	
Deductions:			
Instruction:			
Regular:			
Scholarships awarded		<u>4,355</u>	
Change in net position		(1,227)	
Net position beginning of year		<u>23,541</u>	
Net position end of year	\$	<u><u>22,314</u></u>	

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

The Westwood 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 Sloan, Smithland, Hornick, Holly Springs, and Salix, Iowa, and the predominately agricultural territory in Woodbury and Monona Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Westwood Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Westwood Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of 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 support.

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

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for early retirement incentives.

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

The District reports the following non-major proprietary funds:

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

The Internal Service Fund is used to account for the benefits program offered by the District and the District's partially self-funded health insurance. The Internal Service Fund is charged back to the Governmental funds and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund includes the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery 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	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery 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 annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current 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 receivables and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

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

The District's deposits at June 30, 2015 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$132,561 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa School Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Long-Term Liabilities

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

	Balance Beginning of Year, Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 5,119	8,791	5,119	8,791	8,791
Net pension liability	3,184,718	-	895,401	2,289,317	-
Net OPEB liability	88,192	32,357	-	120,549	-
Total	\$ 3,278,029	41,148	5,119	2,418,657	8,791
Business Type Activities:					
Net pension liability	\$ 99,174	-	27,883	71,291	-
Net OPEB liability	4,632	1,699	-	6,331	-
Total	\$ 103,806	1,699	27,883	77,622	-

(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	\$ 76,000	-	-	76,000
Construction in progress	170,989	522,036	654,626	38,399
Total capital assets not being depreciated	246,989	522,036	654,626	114,399
Capital assets being depreciated:				
Buildings	10,798,583	654,626	-	11,453,209
Land improvements	931,300	-	-	931,300
Machinery and equipment	1,587,045	157,551	16,500	1,728,096
Total capital assets being depreciated	13,316,928	812,177	16,500	14,112,605
Less accumulated depreciation for:				
Buildings	4,452,357	250,959	-	4,703,316
Land improvements	698,988	19,696	-	718,684
Machinery and equipment	1,090,414	155,815	16,500	1,229,729
Total accumulated depreciation	6,241,759	426,470	16,500	6,651,729
Total capital assets being depreciated, net	7,075,169	385,707	-	7,460,876
Governmental activities capital assets, net	\$ 7,322,158	907,743	654,626	7,575,275
Business type activities:				
Machinery and equipment	\$ 166,720	11,771	-	178,491
Less accumulated depreciation	152,225	2,957	-	155,182
Business type activities capital assets, net	\$ 14,495	8,814	-	23,309

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 4,073
Other	7,613
Support services:	
Instructional staff	14,073
Administration	3,364
Operation and maintenance of plant	5,888
Transportation	120,804
	<hr/>
	155,815
Unallocated depreciation	270,655
	<hr/>
Total governmental activities depreciation expense	<u>\$ 426,470</u>
Business type activities:	
Food service operations	<u>\$ 2,957</u>

(5) Pension Plan

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time 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 \$308,016.

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 \$2,360,608 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.058329 percent, which was an increase of 0.000330 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$180,147. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,655	\$ -
Changes of assumptions	104,179	-
Net difference between projected and actual earnings on pension plan investments	-	900,268
Changes in proportion and differences between District contributions and proportionate share of contributions	14,818	-
District contributions subsequent to the measurement date	308,016	-
Total	\$ 452,668	\$ 900,268

\$308,016 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net

pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (191,270)
2017	(191,270)
2018	(191,270)
2019	(191,270)
2020	9,464
	<u>\$ (755,616)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,460,303	\$ 2,360,608	\$ 588,248

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$48,530 for legally required employer contributions and \$32,335 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(6) Other Postemployment Benefits

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 43 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's 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	\$ 39,645
Interest on net OPEB obligation	2,321
Adjustment to annual required contribution	<u>(5,070)</u>
Annual OPEB cost	36,896
Contributions made	<u>(2,840)</u>
Increase in net OPEB obligation	34,056
Net OPEB obligation beginning of year	<u>92,824</u>
Net OPEB obligation end of year	<u>\$ 126,880</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 \$2,840 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 35,134	12.95%	\$ 61,695
2014	35,075	11.25%	92,824
2015	36,896	7.70%	126,880

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 \$275,200, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$275,200. The covered payroll (annual payroll of active employees covered by the plan) was \$2,037,079, and the ratio of the UAAL to covered payroll was 7.40%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of 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%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$296,421.

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

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$224,317 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Categorical Funding

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

Program	Amount
Four-year-old preschool state aid	\$ 147,505
Successful progression for early readers	19,853
Professional development	35,152
Market factor incentives	4,041
Teacher leadership grants	3,872
Total	<u>\$ 210,423</u>

(10) Construction Commitments

The District has entered into various contracts for miscellaneous building improvements. As of June 30, 2015, costs of \$38,399 have been incurred against these contracts. The balance will be paid as work on each project progresses.

(11) Reconciliation of Governmental Fund Balances to Net Position

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

	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ 1,268,780
Internal service fund	33,115
Income surtax	204,033
Net pension liability	(2,289,317)
Pension related deferred outflows	439,583
Pension related deferred inflows	(873,080)
Compensated absences	(8,791)
Unassigned student activities	(13,330)
Net OPEB liability	(120,549)
Net position (Exhibit A)	<u>\$ (1,359,556)</u>

(12) Deficit Accounts/Unrestricted/ Total Net Position

At June 30, 2015, there was one account within the Student Activity Fund with a deficit unassigned balance of \$13,330. The District also had a deficit unrestricted net position of \$80,400 and a deficit total net position of \$57,091 in its School Nutrition Fund. The District also had a deficit unrestricted net position of \$1,359,556 in its governmental activities.

(13) Accounting Change/Restatement

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 10,272,125	\$ 21,047
Net pension liability at June 30, 2014	(3,184,718)	(99,174)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	337,311	10,504
Net position July 1, 2014, as restated	<u>\$ 7,424,718</u>	<u>\$ (67,623)</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,856,527	163,187	5,019,714	5,455,154	5,455,154	(435,440)
Intermediate sources	-	-	-	5,200	5,200	(5,200)
State sources	2,925,783	2,604	2,928,387	2,586,332	2,586,332	342,055
Federal sources	187,351	151,495	338,846	336,818	336,818	2,028
Total revenues	<u>7,969,661</u>	<u>317,286</u>	<u>8,286,947</u>	<u>8,383,504</u>	<u>8,383,504</u>	<u>(96,557)</u>
Expenditures/Expenses:						
Instruction	4,887,762	-	4,887,762	5,256,080	5,256,080	368,318
Support services	2,014,888	-	2,014,888	2,502,968	2,502,968	488,080
Non-instructional programs	2,058	318,525	320,583	355,436	355,436	34,853
Other expenditures	1,018,288	-	1,018,288	1,177,425	1,177,425	159,137
Total expenditures/expenses	<u>7,922,996</u>	<u>318,525</u>	<u>8,241,521</u>	<u>9,291,909</u>	<u>9,291,909</u>	<u>1,050,388</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	46,665	(1,239)	45,426	(908,405)	(908,405)	953,831
Other financing sources, net	<u>3,664</u>	<u>11,771</u>	<u>15,435</u>	<u>-</u>	<u>-</u>	<u>15,435</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	50,329	10,532	60,861	(908,405)	(908,405)	969,266
Balances beginning of year, as restated	<u>2,849,137</u>	<u>(67,623)</u>	<u>2,781,514</u>	<u>963,151</u>	<u>963,151</u>	<u>1,818,363</u>
Balances end of year	<u>\$ 2,899,466</u>	<u>(57,091)</u>	<u>2,842,375</u>	<u>54,746</u>	<u>54,746</u>	<u>2,787,629</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

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

	2015
District's proportion of the net pension liability	0.058329%
District's proportionate share of the net pension liability	\$ 2,360,608
District's covered-employee payroll	\$ 3,449,224
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.44%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 308,016	346,560	325,226	304,407	264,993	254,788	240,659	221,338	195,324	188,473
Contributions in relation to the statutorily required contribution	<u>(308,016)</u>	<u>(346,560)</u>	<u>(325,226)</u>	<u>(304,407)</u>	<u>(264,993)</u>	<u>(254,788)</u>	<u>(240,659)</u>	<u>(221,338)</u>	<u>(195,324)</u>	<u>(188,473)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 3,449,224	3,880,851	3,751,165	3,772,082	3,812,849	3,666,014	3,789,906	3,658,479	3,396,939	3,277,791
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms

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

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

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

Changes of assumptions

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

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

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

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 147,656	\$ 147,656	0.00%	\$ 2,038,885	7.24%
2011	July 1, 2009	-	217,110	217,110	0.00%	1,988,253	10.92%
2012	July 1, 2009	-	217,110	217,110	0.00%	2,058,957	10.54%
2013	July 1, 2012	-	283,647	283,647	0.00%	2,239,887	12.66%
2014	July 1, 2012	-	282,561	282,561	0.00%	2,283,033	12.38%
2015	July 1, 2012	-	275,200	275,200	0.00%	2,037,079	13.51%

See Note 6 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

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 544,499	391,378	935,877
Receivables:			
Property tax:			
Delinquent	-	814	814
Succeeding year	-	112,866	112,866
Due from other governments	76,634	-	76,634
TOTAL ASSETS	\$ 621,133	505,058	1,126,191
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 116,143	-	116,143
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	112,866	112,866
Fund balances:			
Restricted for:			
School infrastructure	504,990	-	504,990
Physical plant and equipment	-	392,192	392,192
Total fund balances	504,990	392,192	897,182
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 621,133	505,058	1,126,191

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	99,104	99,104
Other	971	452	1,423
State sources	496,366	-	496,366
Total revenues	<u>497,337</u>	<u>99,556</u>	<u>596,893</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,140	-	4,140
Other	21,771	-	21,771
Support services:			
Instructional staff	196,626	-	196,626
Transportation	2,214	110,055	112,269
Capital outlay	792,126	1,845	793,971
Total expenditures	<u>1,016,877</u>	<u>111,900</u>	<u>1,128,777</u>
Change in fund balances	(519,540)	(12,344)	(531,884)
Fund balances beginning of year	<u>1,024,530</u>	<u>404,536</u>	<u>1,429,066</u>
Fund balances end of year	<u>\$ 504,990</u>	<u>392,192</u>	<u>897,182</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Miscellaneous Student Activity	\$ 170	65	-	-	235
Concession Stand	1,812	29,959	28,426	12	3,357
Elementary Band	158	-	-	-	158
Elem. Student Affairs	450	-	-	-	450
Elem. Student Council	787	-	-	-	787
Westwood PTO	70	-	-	-	70
Plays	451	1,710	516	-	1,645
Musical	57	-	-	-	57
Madrigal	683	3,600	2,462	(1,800)	21
Music Boosters	1,507	7,001	7,739	1,140	1,909
Vocal Music	234	11,468	10,018	(1,684)	-
Show Chior	1,092	27,355	46,714	19,563	1,296
Jubilation	2,573	62,068	58,608	(6,033)	-
Vocal Trip	-	68,959	72,243	(10,046)	(13,330)
Instrumental Music	1,971	3,364	2,339	(1,140)	1,856
Jazz Band	3	-	-	-	3
Cross Country	529	2,088	2,162	-	455
Boy's Basketball	1,298	4,292	3,921	(465)	1,204
Football	2,887	32,373	25,442	120	9,938
Baseball	99	3,426	3,908	383	-
Boy's Track	107	214	-	-	321
Boy's Golf	365	874	926	-	313
Wrestling	1,662	6,894	7,492	-	1,064
Girl's Basketball	720	4,967	5,709	2,097	2,075
Volleyball	3,049	3,318	2,349	-	4,018
Softball	30	4,664	3,027	106	1,773
Girl's Track	218	5,726	3,743	(1,317)	884
Girl's Golf	54	396	1,443	995	2
Spanish Club	635	267	56	-	846
Industrial Tech. Club	174	839	-	-	1,013
Student Affairs	809	143	-	-	952
Annual	12,828	6,261	5,976	-	13,113
National Honor Society	6	2,532	1,885	-	653
Quiz Bowl	206	245	312	-	139
Future Problem Solving	495	-	-	-	495
Weight Room	16	-	-	-	16
FFA	2,246	43,773	44,283	2,564	4,300
FFA Trust	1,688	2	-	(1,664)	26
FHA	12	-	-	-	12
Athletic Boosters	49,718	90,099	70,074	(1,355)	68,388
Season Passes	11,899	42,276	49,483	(2,399)	2,293
Class of 2010	-	-	491	491	-
Class of 2012	1,800	-	-	(491)	1,309
Class of 2015	1,458	1,101	260	-	2,299
Class of 2016	-	8,096	5,635	(500)	1,961
HS Student Council	2,266	7,327	4,900	-	4,693
Football Cheerleaders	2,797	6,730	5,584	(27)	3,916
Basketball Cheerleaders	531	814	1,163	-	182
Wrestling Cheerleading	4	1,043	1,640	600	7
Drill Team	564	2,500	3,413	350	1
After Prom Party	6,489	4,460	8,926	500	2,523
Total	\$ 119,677	503,289	493,268	-	129,698

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship				
	Tott Scholarship	Hopkins Scholarship	Weikel Scholarship	Rice Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 6,237	8,779	6,835	463	22,314
LIABILITIES					
	-	-	-	-	-
NET POSITION					
Held in trust for scholarships	\$ 6,237	8,779	6,835	463	22,314

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship								Total
	Mehl Scholarship	Tott Scholarship	Hopkins Scholarship	Weikel Scholarship	Rice Scholarship	FFA Scholarship	Athletic Boosters Scholarship	Music Boosters Scholarship	
Additions:									
Local sources:									
Contributions	\$ -	-	-	-	-	1,700	900	500	3,100
Interest	-	-	7	20	1	-	-	-	28
Total additions	-	-	7	20	1	1,700	900	500	3,128
Deductions:									
Instruction:									
Regular:									
Scholarships awarded	255	-	1,000	-	-	1,700	900	500	4,355
Change in net position	(255)	-	(993)	20	1	-	-	-	(1,227)
Net position beginning of year	255	6,237	9,772	6,815	462	-	-	-	23,541
Net position end of year	\$ -	6,237	8,779	6,835	463	-	-	-	22,314

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,815,634	3,743,092	4,047,522	3,814,227	3,881,232	3,850,511	3,750,250	3,705,710	3,526,683	3,578,906
Tuition	443,768	390,468	396,896	376,303	297,127	323,864	341,478	393,580	364,395	340,776
Other	597,125	673,969	566,470	506,602	531,338	510,137	455,024	495,463	594,561	493,369
State sources	2,925,783	3,029,057	2,495,298	2,667,417	2,421,006	2,041,549	2,644,314	2,567,230	2,465,643	2,437,384
Federal sources	187,351	185,557	268,111	241,709	395,297	570,494	261,481	168,332	160,736	146,837
Total	\$ 7,969,661	8,022,143	7,774,297	7,606,258	7,526,000	7,296,555	7,452,547	7,330,315	7,112,018	6,997,272
Expenditures:										
Instruction:										
Regular	\$ 2,598,485	2,549,607	2,679,298	2,670,075	2,542,032	2,519,441	2,697,194	2,536,812	2,452,479	2,400,031
Special	1,127,268	1,076,590	1,178,583	929,163	872,333	862,623	867,594	803,722	696,062	767,795
Other	1,162,009	1,192,169	1,152,351	1,132,082	1,207,128	1,063,626	960,146	810,222	713,209	694,697
Support services:										
Student	197,808	184,530	121,782	114,992	113,895	147,755	186,623	166,320	153,284	145,840
Instructional staff	309,161	166,270	274,072	284,438	378,051	193,461	262,731	177,049	172,518	193,769
Administration	558,579	617,506	579,886	836,471	690,395	684,436	798,100	690,337	682,910	598,678
Operation and maintenance of plant	390,115	390,476	488,220	360,476	417,089	445,862	452,660	420,190	397,535	354,575
Transportation	559,225	564,675	622,513	737,445	650,518	524,309	607,830	544,307	493,383	489,195
Non-instructional programs	2,058	1,793	2,162	1,558	29,528	1,337	3,258	4,846	824	757
Capital outlay	793,971	444,387	164,218	253,032	266,263	352,182	192,426	293,855	230,744	208,371
Long-term debt:										
Principal	-	-	-	-	310,000	295,000	610,000	575,000	550,000	845,000
Interest and fiscal charges	-	-	-	-	13,795	26,628	46,344	72,200	97,233	132,265
Other expenditures:										
AEA flow-through	224,317	224,451	216,520	217,778	241,413	240,805	221,081	208,238	203,337	190,338
Total	\$ 7,922,996	7,412,454	7,479,605	7,537,510	7,732,440	7,357,465	7,905,987	7,303,098	6,843,518	7,021,311

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Westwood Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Westwood Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Westwood Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

Westwood Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Response - The District will review current procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-15 Credit Card Purchases - We noted during our audit several instances of purchases on the District credit card that lacked an invoice or detailed receipt to be used as supporting documentation beyond the credit card statement.

Recommendation - The District should review its procedures in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice. The District should also reconcile credit card purchases on a monthly basis.

Response - The District will monitor credit card purchases and supporting documentation to ensure all purchases are approved and reconciled monthly.

Conclusion - Response accepted.

I-C-15 Deficit Lunch Account Balances - During our audit we noted that the Nutrition Fund is carrying several deficit student lunch account balances.

Recommendation - The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming negative. The District may also wish to develop alternatives to bring deficit accounts back to a positive balance, such as trying various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District will continue to monitor negative lunch accounts and enforce the policy in regards to negative balances. The District will continue to attempt to collect any negative accounts.

Conclusion - Response accepted.

I-D-15 Student Activity Fund-Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they are not approved by the Board. We recommend that all fundraisers be approved by Board.

Recommendation - Districts should have policies and/or procedures in place to address fund-raising activity including:

- a. The Board or its designee should approve all District-sponsored fundraising activity.
- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.
- d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.
- e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- f. If District-sponsored, the District should account for the fund-raising activity.

Response - The District has developed a procedure including documentation to be presented to the board for approval of fundraisers.

Conclusion - Response accepted.

I-E-15 Investment Accounts - We noted during our audit that the District is not reconciling interest on investments on a monthly basis.

Recommendation - The District should reconcile and post interest on investment accounts on a monthly basis.

Response - The District will post and reconcile investment interest monthly.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amounts budgeted.

II-B-15 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the Student Activity Fund. Gift cards do not allow the board to “audit and allow” final purchases in accordance with Iowa Code Section 279.9 and does not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

Recommendation - Gift cards and cash incentives are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills. The gift cards do not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards for any purpose to be in accordance with the Attorney General’s opinion dated April 25, 1979.

Response - The District will monitor purchases to ensure gift cards are not purchased.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Cathy Wilt, Board Member Son-in law owns Steinhoff landscaping	Equipment Rental	\$4,571
Rob Copple, Board Member Wife is Cheerleading coach	Purchased Services	\$2,658
Lee Haveman, Board Member Head boys basketball coach	Purchased Services	\$2,500
Bob Brouillette, Maintenance Director Nephew owns Lakeport Cooling and Heating	Purchased Services	\$2,223

In accordance with Attorney General’s opinion dated November 9, 1976, the above transactions with the relatives of District employees/officials do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board member Lee Haveman do not appear to represent a conflict of interest.

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

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

II-G-15 Certified Enrollment - We noted variances in the basic enrollment data certified to the Iowa Department of Education. The number of students certified was understated by 0.78 students for fall 2014 count date.

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

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

Conclusion - Response accepted.

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 filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

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

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

Beginning Balance		\$ 1,024,530
Revenues:		
Sales tax revenues	\$ 496,366	
Other local revenues	971	497,337
	<u> </u>	<u>1,521,867</u>
Expenditures:		
School infrastructure construction	578,709	
Equipment	222,261	
Other	215,907	1,016,877
	<u> </u>	<u> </u>
Ending balance		<u><u>\$ 504,990</u></u>

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

II-M-15 Financial Condition - We noted during our audit that the District had one account within the Student Activity Fund with a deficit unassigned balance of \$13,330. The District also had a deficit unrestricted net position of \$80,400 and a deficit total net

position of \$57,091 in its School Nutrition Fund. The District also had a deficit unrestricted net position of \$1,359,556 in its governmental activities.

Recommendation - The District should continue to monitor the Student Activity Fund account and investigate alternatives to eliminate the deficit. The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District will continue to monitor and take steps to eliminate negative balances.

Conclusion - Response accepted.

II-N-15 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted revenues and expenditures which do not appear to be related to cocurricular or extracurricular activities.

Inactive Accounts: We noted Elementary Student Affairs, Elementary Student Council, Westwood PTO and JH Hammers accounts that appear to be inactive in the current year and prior years. We also noted old class accounts from class of 2012 and class of 2014 that still have a balance on the District's books as of June 30, 2015.

Recommendation - The District should investigate Elementary Student Affairs, Elementary Student Council, Westwood PTO and JH Hammers accounts to determine if the clubs have been discontinued and should be reallocated, or would be more appropriate to a different fund. The old class accounts should be reviewed and reallocated to an appropriate account.

Response - The District will monitor and close inactive accounts.

Conclusion - Response accepted.