

VILLISCA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Villisca Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jason Poston	President	2015
Daniel Sorensen	Vice President	2013
Marvin Smith	Board Member	2013
John Baker	Board Member	2015
Tom Williams	Board Member	2015
School Officials		
William Stone	Superintendent	2013
Jessie Forsythe	Board Secretary/ Business Manager	2013
Ahlers & Cooney, P.C.	Attorney	2013

VILLISCA COMMUNITY SCHOOL DISTRICT

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 Villisca 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 Villisca Community School District, Villisca, Iowa, as of and for the year ended June 30, 2013, 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 Villisca Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 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 Villisca 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, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and are 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.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2014 on our consideration of Villisca 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 Villisca Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Villisca 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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,851,494 in fiscal 2012 to \$3,939,335 in fiscal 2013, while General Fund expenditures increased from \$3,631,196 in fiscal 2012 to \$3,788,314 in fiscal 2013. The result is an increase in the District's General Fund balance from \$620,006 in fiscal 2012 to a balance of \$771,027 in fiscal 2013, an increase of 24.36% from 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 Villisca 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 Villisca 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 Villisca Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

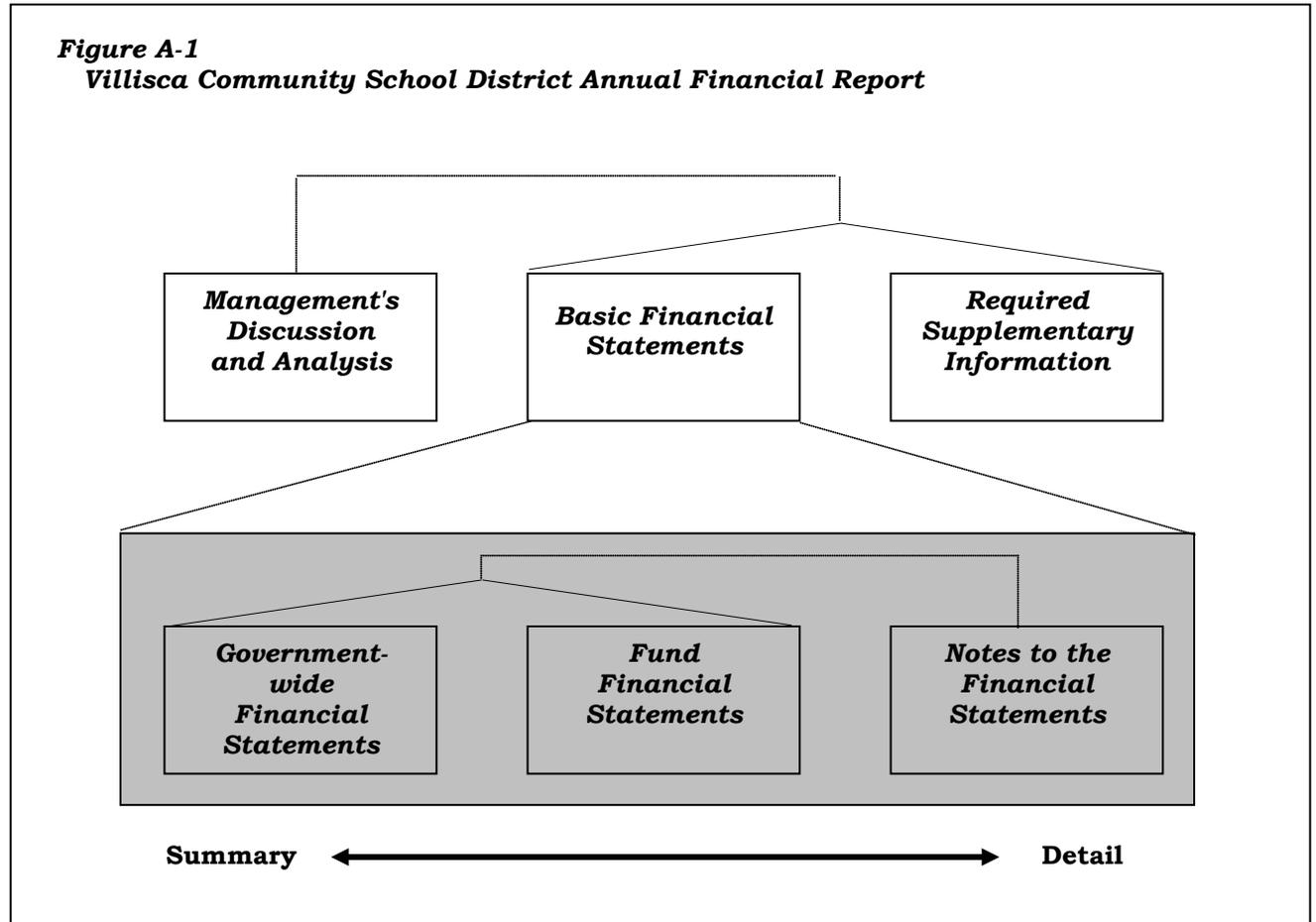


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • 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 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 and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or 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 establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statements of Revenues, Expenses and Change 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 the Agency 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 Government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 4,408,103	4,002,788	10,762	16,379	4,418,865	4,019,167	9.94%
Capital assets	3,531,052	3,519,277	23,973	26,018	3,555,025	3,545,295	0.27%
Total assets	<u>7,939,155</u>	<u>7,522,065</u>	<u>34,735</u>	<u>42,397</u>	<u>7,973,890</u>	<u>7,564,462</u>	<u>5.41%</u>
Long-term obligations	1,817,306	1,909,271	-	-	1,817,306	1,909,271	-4.82%
Other liabilities	2,396,541	2,340,721	3,876	5,458	2,400,417	2,346,179	2.31%
Total liabilities	<u>4,213,847</u>	<u>4,249,992</u>	<u>3,876</u>	<u>5,458</u>	<u>4,217,723</u>	<u>4,255,450</u>	<u>-0.89%</u>
Net position:							
Invested in capital assets, net of related debt	1,836,052	1,664,277	23,973	26,018	1,860,025	1,690,295	10.04%
Restricted	1,182,291	1,064,349	-	-	1,182,291	1,064,349	11.08%
Unrestricted	706,965	543,447	6,886	10,921	713,851	554,368	28.77%
Total net position	<u>\$ 3,725,308</u>	<u>3,272,073</u>	<u>30,859</u>	<u>36,939</u>	<u>3,756,167</u>	<u>3,309,012</u>	<u>13.51%</u>

The District's combined net position increased by 13.51%, or \$447,155, over the prior year. The largest portion of the District's net position is the investment in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$117,942 or 11.08% over to the prior year. The increase in restricted net position is mainly attributable to the increase in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

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 - increased by \$159,483 or 28.77%. The main reason for the increase in unrestricted net position is because of the increase in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the years ended June 30, 2013 compared to the year ended June 30, 2012.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 339,378	240,406	82,040	77,427	421,418	317,833	32.59%
Operating grants and contributions and restricted interest	493,425	423,038	125,649	132,732	619,074	555,770	11.39%
Capital grants and contributions and restricted interest	7,262	10,000	-	-	7,262	10,000	-27.38%
General revenues:							
Property tax	1,905,261	1,820,445	-	-	1,905,261	1,820,445	4.66%
Statewide sales, services and use tax	304,608	272,246	-	-	304,608	272,246	11.89%
Income surtax	62,471	49,583	-	-	62,471	49,583	25.99%
Unrestricted state grants	1,826,232	1,782,158	-	-	1,826,232	1,782,158	2.47%
Nonspecific program federal grants	-	1,149	-	-	-	1,149	-100.00%
Unrestricted investment earnings	6,615	12,047	5	14	6,620	12,061	-45.11%
Other	10,050	8,190	-	4,561	10,050	12,751	-21.18%
Transfers	(2,697)	-	2,697	-	-	-	0.00%
Total revenues & transfers	4,952,605	4,619,262	210,391	214,734	5,162,996	4,833,996	6.81%
Program expenses:							
Governmental activities:							
Instructional	2,858,809	2,702,706	-	-	2,858,809	2,702,706	5.78%
Support services	1,342,790	1,430,503	6,071	14,919	1,348,861	1,445,422	-6.68%
Non-instructional programs	715	764	210,400	213,694	211,115	214,458	-1.56%
Other expenses	297,056	311,327	-	-	297,056	311,327	-4.58%
Total expenses	4,499,370	4,445,300	216,471	228,613	4,715,841	4,673,913	0.90%
Increase(Decrease) in net position	453,235	173,962	(6,080)	(13,879)	447,155	160,083	179.33%
Net position beginning of year	3,272,073	3,098,111	36,939	50,818	3,309,012	3,148,929	5.08%
Net position end of year	\$ 3,725,308	3,272,073	30,859	36,939	3,756,167	3,309,012	13.51%

In fiscal 2013, property tax and unrestricted state grants account for 75.34% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.72% of the revenue from business type activities. The District's total revenues were \$5,162,996 of which \$4,952,605 was for governmental activities and \$210,391 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.81% increase in revenues and a 0.90% decrease in expenses. Property tax increased \$84,816 to fund expenses. The reduction in expenses is mainly attributable to the support services functional area.

Governmental Activities

Revenues for the governmental activities were \$4,952,605 and expenses were \$4,499,370. For the year ended June 30, 2013.

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, 2013 compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,858,809	2,702,706	5.78%	2,175,375	2,194,265	-0.86%
Support services	1,342,790	1,430,503	-6.13%	1,323,911	1,402,448	-5.60%
Non-instructional	715	764	-6.41%	715	764	-6.41%
Other expenses	297,056	311,327	-4.58%	159,304	174,379	-8.64%
Totals	\$ 4,499,370	4,445,300	1.22%	3,659,305	3,771,856	-2.98%

- The cost financed by users of the District's programs was \$339,378.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$500,687.
- The net cost of governmental activities was financed with \$1,905,261 in property tax, \$304,608 in statewide sales, services and use tax, \$62,471 in income surtax, \$1,826,232 in unrestricted state grants, \$6,615 in interest income, and \$7,353 in other general revenues net of transfers.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2013 were \$210,391, representing a 2.02% decrease over the prior year, while expenses totaled \$216,471, a 5.31% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and capital contributions.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Villisca 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 balance of \$1,957,108, above last year's ending fund balances of a \$1,623,818. Increases in fund balances for the General Fund and the Capital Project accounts led to the increase in total fund balances at the end of the year.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Growth during the year in property tax and state source revenues led to the increase in revenues when compared to the previous year. The increase in revenues was more than the increase in expenses thus ensuring the increase in General Fund balance from \$620,006 in 2012 to \$771,027 in 2013.

-
- The Capital Projects Accounts balance decreased from a balance of \$709,889 at the beginning of the fiscal year 2013 to \$696,201 at the end of fiscal year 2013. The decrease in balance was the result of capital expenditures and transfers out in excess of property tax and statewide sales, services and use tax revenues.
 - The Debt Service fund balance increased from a balance of \$76,209 at the beginning of the fiscal year 2013 to \$154,310 at the end of fiscal year 2013. The increase in balance was primarily due to the increase in the amount of local tax received.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$36,939 at June 30, 2012 to \$30,859 at June 30, 2013, representing a decrease of approximately 16.46%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$56,944 more than budgeted revenues, a variance of 1.12%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$3,555,025, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.27% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$162,829.

The original cost of the District's capital assets was \$6,293,187. Governmental funds account for \$6,120,074 with the remainder of \$173,113 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. Construction in progress totaled \$0 at June 30, 2012, compared to \$94,895 reported at June 30, 2013. The increase in construction in progress is due to architect fees associated with the new wellness center the District is building.

	Figure A-6 Capital Assets, Net of Depreciation						
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 18,650	18,650	-	-	18,650	18,650	0.00%
Construction in progress	94,895	-	-	-	94,895	-	100.00%
Buildings	3,228,249	3,267,545	-	-	3,228,249	3,267,545	-1.20%
Land improvements	9,122	9,881	-	-	9,122	9,881	-7.68%
Machinery and equipment	180,136	223,201	23,973	26,018	204,109	249,219	-18.10%
Total	\$ 3,531,052	3,519,277	23,973	26,018	3,555,025	3,545,295	0.27%

Long-Term Debt

At June 30, 2013, the District had long-term debt outstanding of \$1,817,306 in general obligation bonds and other long-term debt outstanding. This represents a decrease of 4.82% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

	Figure A-7 Outstanding Long-Term Obligations		
	Total School District	Total School District	Total Change
	June 30,	June 30,	June 30,
	2013	2012	2012-13
General obligation bonds	1,695,000	1,855,000	-8.63%
Termination benefits	48,000	-	100.00%
Net OPEB liability	74,306	54,271	36.92%
Total	\$ 1,817,306	1,909,271	-4.82%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The continued budget concerns at state level will affect future projections. Due to this, the District has been forced to shift funding to property taxes.
- The District will start a whole grade sharing agreement with the Corning Community School District starting in the 2013-2014 school year.
- The District will begin building a Wellness center during the 2013-2014 school year.

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 Jessie Forsythe, District Board Secretary/Business Manager, Villisca Community School District, 406 E 3rd St., Villisca, Iowa, 50864.

VILLISCA COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,152,615	4,847	2,157,462
Receivables:			
Property tax:			
Delinquent	26,606	-	26,606
Succeeding year	1,951,233	-	1,951,233
Income surtax	56,970	-	56,970
Accounts	61,971	-	61,971
Inventories	-	5,915	5,915
Due from other governments	158,708	-	158,708
Capital assets, net of accumulated depreciation	3,531,052	23,973	3,555,025
TOTAL ASSETS	7,939,155	34,735	7,973,890
LIABILITIES			
Accounts payable	89,291	1,259	90,550
Salaries and benefits payable	353,501	1,407	354,908
Accrued interest payable	2,516	-	2,516
Deferred revenue:			
Succeeding year property tax	1,951,233	-	1,951,233
Unearned revenue	-	1,210	1,210
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	235,000	-	235,000
Termination benefits payable	25,835	-	25,835
Portion due after one year:			
General obligation bonds payable	1,460,000	-	1,460,000
Termination benefits payable	22,165	-	22,165
Net OPEB liability	74,306	-	74,306
TOTAL LIABILITIES	4,213,847	3,876	4,217,723
NET POSITION			
Invested in capital assets, net of related debt	1,836,052	23,973	1,860,025
Restricted for:			
Categorical funding	46,726	-	46,726
School infrastructure	521,182	-	521,182
Physical plant & equipment	175,019	-	175,019
Management levy purposes	247,812	-	247,812
Student activities	39,758	-	39,758
Debt service	151,794	-	151,794
Unrestricted	706,965	6,886	713,851
TOTAL NET POSITION	\$ 3,725,308	30,859	3,756,167

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,720,684	51,250	220,678	-	(1,448,756)	-	(1,448,756)
Special	457,153	48,308	20,081	-	(388,764)	-	(388,764)
Other	680,972	228,203	114,914	-	(337,855)	-	(337,855)
	2,858,809	327,761	355,673	-	(2,175,375)	-	(2,175,375)
Support services:							
Student	124,645	-	-	-	(124,645)	-	(124,645)
Instructional staff	77,723	11,617	-	-	(66,106)	-	(66,106)
Administration	543,011	-	-	-	(543,011)	-	(543,011)
Operation and maintenance of plant	410,524	-	-	7,262	(403,262)	-	(403,262)
Transportation	186,887	-	-	-	(186,887)	-	(186,887)
	1,342,790	11,617	-	7,262	(1,323,911)	-	(1,323,911)
Non-instructional programs:							
Food service operations	715	-	-	-	(715)	-	(715)
Long-term debt interest	63,087	-	-	-	(63,087)	-	(63,087)
Other expenses:							
AEA flowthrough	137,752	-	137,752	-	-	-	-
Depreciation(unallocated)*	96,217	-	-	-	(96,217)	-	(96,217)
	297,056	-	137,752	-	(159,304)	-	(159,304)
Total governmental activities	4,499,370	339,378	493,425	7,262	(3,659,305)	-	(3,659,305)
Business type activities:							
Support services:							
Operation and maintenance of plant	6,071	-	-	-	-	(6,071)	(6,071)
Non-instructional programs:							
Nutrition services	210,400	82,040	125,649	-	-	(2,711)	(2,711)
Total business type activities	216,471	82,040	125,649	-	-	(8,782)	(8,782)
Total	\$ 4,715,841	421,418	619,074	7,262	(3,659,305)	(8,782)	(3,668,087)
General Revenue & Transfers:							
Local tax for:							
General purposes					\$ 1,651,770	-	1,651,770
Debt service					195,616	-	195,616
Capital outlay					57,875	-	57,875
Statewide sales, services and use tax					304,608	-	304,608
Income surtax					62,471	-	62,471
Unrestricted state grants					1,826,232	-	1,826,232
Unrestricted investment earnings					6,615	5	6,620
Other					10,050	-	10,050
Transfers					(2,697)	2,697	-
Total general revenues & transfers					4,112,540	2,702	4,115,242
Change in net position					453,235	(6,080)	447,155
Net position beginning of year					3,272,073	36,939	3,309,012
Net position end of year					\$ 3,725,308	30,859	3,756,167

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

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,069,621	599,051	151,578	332,365	2,152,615
Receivables:					
Property tax:					
Delinquent	20,623	808	2,732	2,443	26,606
Succeeding year	1,499,838	63,755	247,640	140,000	1,951,233
Income surtax	-	56,970	-	-	56,970
Accounts	48,149	7,491	-	6,331	61,971
Due from other governments	69,210	89,498	-	-	158,708
TOTAL ASSETS	\$ 2,707,441	817,573	401,950	481,139	4,408,103
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 83,075	647		5,569	89,291
Salaries and benefits payable	353,501	-	-	-	353,501
Deferred revenue:					
Succeeding year property tax	1,499,838	63,755	247,640	140,000	1,951,233
Income surtax	-	56,970	-	-	56,970
Total liabilities	1,936,414	121,372	247,640	145,569	2,450,995
Fund balances:					
Restricted for:					
Categorical funding	46,726	-	-	-	46,726
School infrastructure	-	521,182	-	-	521,182
Physical plant and equipment	-	175,019	-	-	175,019
Management levy purposes	-	-	-	295,812	295,812
Student activities	-	-	-	39,758	39,758
Debt service	-	-	154,310	-	154,310
Unassigned	724,301	-	-	-	724,301
Total fund balances	771,027	696,201	154,310	335,570	1,957,108
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,707,441	817,573	401,950	481,139	4,408,103

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds (page 20)	\$ 1,957,108
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,531,052
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,516)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	56,970
Long-term liabilities, including general obligation bonds payable, termination benefits payable and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,817,306)</u>
Net position of governmental activities (page 18)	<u><u>\$ 3,725,308</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,476,790	418,247	195,616	174,980	2,265,633
Tuition	84,264	-	-	-	84,264
Other	172,596	2,327	594	218,098	393,615
Intermediate sources	-	1,000	-	-	1,000
State sources	2,048,828	27	91	82	2,049,028
Federal sources	148,793	6,262	-	-	155,055
TOTAL REVENUES	3,931,271	427,863	196,301	393,160	4,948,595
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,648,176	165	-	13,592	1,661,933
Special	453,710	-	-	-	453,710
Other	467,972	-	-	207,779	675,751
	2,569,858	165	-	221,371	2,791,394
Support services:					
Student	98,568	-	-	715	99,283
Instructional staff	65,450	11,752	-	715	77,917
Administration	446,252	49,638	31,297	6,899	534,086
Operation and maintenance of plant	342,057	45,847	-	29,896	417,800
Transportation	128,377	-	-	14,993	143,370
	1,080,704	107,237	31,297	53,218	1,272,456
Non-instructional programs:					
Food service operations	-	-	-	715	715
Capital outlay	-	196,201	-	-	196,201
Long-term debt:					
Principal	-	-	1,855,000	-	1,855,000
Interest and fiscal charges	-	-	72,585	-	72,585
	-	-	-	-	1,927,585
Other expenditures:					
AEA flowthrough	137,752	-	-	-	137,752
TOTAL EXPENDITURES	3,788,314	303,603	1,958,882	275,304	6,326,103
Excess(Deficiency) of revenues over(under) expenditures	142,957	124,260	(1,762,581)	117,856	(1,377,508)
OTHER FINANCING SOURCES(USES):					
Transfer in	-	-	152,632	-	152,632
Transfer out	-	(152,632)	-	-	(152,632)
Refunding bond issuance	-	-	1,695,000	-	1,695,000
Discount of refunding bond issuance	-	-	(6,950)	-	(6,950)
Insurance proceeds	6,630	14,684	-	-	21,314
Sale of equipment	1,434	-	-	-	1,434
TOTAL OTHER FINANCING SOURCES(USES)	8,064	(137,948)	1,840,682	-	1,710,798
Change in fund balances	151,021	(13,688)	78,101	117,856	333,290
Fund balances beginning of year	620,006	709,889	76,209	217,714	1,623,818
Fund balances end of year	\$ 771,027	696,201	154,310	335,570	1,957,108

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA 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, 2013

Change in fund balances - total governmental funds (page 22) \$ 333,290

**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 reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 169,862	
Depreciation expense	(158,087)	11,775

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		6,707
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Proceeds of long-term debt liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.

Issued	(1,695,000)	
Repaid	1,855,000	160,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		9,498
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Termination benefits	(48,000)	
Other postemployment benefits	(20,035)	(68,035)

Change in net position of governmental activities (page 19) \$ 453,235

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 4,847
Inventories	5,915
Capital assets, net of accumulated depreciation	23,973
TOTAL ASSETS	34,735
 LIABILITIES	
Accounts payable	1,259
Salaries and benefits payable	1,407
Unearned revenues	1,210
TOTAL LIABILITIES	3,876
 NET POSITION	
Invested in capital assets	23,973
Unrestricted	6,886
TOTAL NET POSITION	\$ 30,859

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2013

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 82,040
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	5,060
Supplies	1,011
	6,071
Non-instructional programs:	
Food service operations:	
Salaries	80,330
Benefits	13,038
Services	130
Supplies	112,160
Depreciation	4,742
	210,400
TOTAL OPERATING EXPENSES	216,471
OPERATING LOSS	(134,431)
NON-OPERATING REVENUES:	
Interest	5
State sources	4,895
Federal sources	120,754
TOTAL NON-OPERATING REVENUES	125,654
Change in net position before capital contributions	(8,777)
Capital contributions	2,697
Change in net position	(6,080)
Net position beginning of year	36,939
Net position end of year	\$ 30,859

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 81,566
Cash payments to employees for services	(92,864)
Cash payments to suppliers for goods or services	(107,253)
Net cash used in operating activities	(118,551)
Cash flows from non-capital financing activities:	
State grants received	4,895
Federal grants received	113,162
Net cash provided by non-capital financing activities	118,057
Cash flows from investing activities:	
Net cash provided by investing activities	5
Net decrease in cash and cash equivalents	(489)
Cash and cash equivalents at beginning of year	5,336
Cash and cash equivalents at end of year	\$ 4,847
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (134,431)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	12,423
Depreciation	4,742
Decrease in inventories	297
Decrease in accounts payable	(1,612)
Increase in salaries and benefits payable	504
Decrease in unearned revenue	(474)
Net cash used in operating activities	\$ (118,551)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received Federal commodities valued at \$12,423.

During the year ended June 30, 2013, the District's Nutrition Fund received \$2,697 of contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund.

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Private Purpose Trust Scholarship
ASSETS	
Cash and cash equivalents	\$ 163,131
LIABILITIES	-
NET POSITION	
Restricted for scholarships	\$ 163,131

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,650
Interest income	477
Total additions	<u>2,127</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>6,600</u>
Change in net position	(4,473)
Net position beginning of year	<u>167,604</u>
Net position end of year	<u>\$ 163,131</u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The Villisca Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Villisca, Iowa, and the predominate agricultural territory in Adams, Montgomery, Page and Taylor 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, Villisca 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 Villisca 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 Adams, Montgomery, Page and Taylor County Assessors' Conference Board.

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt 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. The value of the United States Treasury Securities on deposit with the escrow agent as part of the crossover refunding bond issue has been added to the invested in capital assets, net of related debt.

Restricted net position results when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The Debt Service Fund is used to account for the payment of principal and interest on the District's long-term debt.

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 assets 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 - restricted and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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, Liabilities and Fund Balances

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 and equipment, and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. 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	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	0
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue 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.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government obligations Portfolio which are valued at an amortized cost of \$11,855 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Transfers

The detail of transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>\$ 152,632</u>

The transfer from Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for part of the principal payment on the District's general obligation bond indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,650	-	-	18,650
Construction in progress	-	94,895	-	94,895
Total capital assets not being depreciated	<u>18,650</u>	<u>94,895</u>	<u>-</u>	<u>113,545</u>
Capital assets being depreciated:				
Buildings	4,911,578	56,162	-	4,967,740
Land improvements	118,119	-	-	118,119
Machinery and equipment	932,328	18,805	30,463	920,670
Total capital assets being depreciated	<u>5,962,025</u>	<u>74,967</u>	<u>30,463</u>	<u>6,006,529</u>
Less accumulated depreciation for:				
Buildings	1,644,033	95,458	-	1,739,491
Land improvements	108,238	759	-	108,997
Machinery and equipment	709,127	61,870	30,463	740,534
Total accumulated depreciation	<u>2,461,398</u>	<u>158,087</u>	<u>30,463</u>	<u>2,589,022</u>
Total capital assets being depreciated, net	<u>3,500,627</u>	<u>(83,120)</u>	<u>-</u>	<u>3,417,507</u>
Governmental activities capital assets, net	<u>\$ 3,519,277</u>	<u>11,775</u>	<u>-</u>	<u>3,531,052</u>
Business type activities:				
Machinery and equipment	\$ 174,274	2,697	3,858	173,113
Less accumulated depreciation	148,256	4,742	3,858	149,140
Business type activities capital assets, net	<u>\$ 26,018</u>	<u>(2,045)</u>	<u>-</u>	<u>23,973</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 21,866
Support services:		
Instructional staff		2,454
Operation and maintenance of plant		512
Transportation		37,038
Unallocated depreciation		<u>96,217</u>
Total governmental activities depreciation expense		<u>\$ 158,087</u>
Business type activities:		
Food service operations		<u>\$ 4,742</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,855,000	1,695,000	1,855,000	1,695,000	235,000
Termination benefits	-	48,000	-	48,000	25,835
Net OPEB liability	54,271	20,035	-	74,306	-
Total	<u>\$ 1,909,271</u>	<u>1,763,035</u>	<u>1,855,000</u>	<u>1,817,306</u>	<u>260,835</u>

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue dated April 15, 2013		
		Principal	Interest	Total
2014	0.35	% \$ 235,000	12,640	247,640
2015	0.40	240,000	11,280	251,280
2016	0.50	240,000	10,320	250,320
2017	0.65	235,000	9,120	244,120
2018	0.85	245,000	7,593	252,593
2019	1.00	245,000	5,510	250,510
2020	1.20	255,000	3,060	258,060
Total		<u>\$ 1,695,000</u>	<u>59,523</u>	<u>1,754,523</u>

Termination Benefits (Early Retirement)

During the year ended June 30, 2013, the District offered a voluntary early retirement plan to its licensed employees. The early retirement plan is offered by the District at the Board's discretion. Employees should have no expectation that the plan will be offered.

Eligible employees must be at least age fifty-five and must have completed at least twenty years of consecutive service to the District including the last year of employment. Employees must complete an application which is required to be approved by the Board of Education.

A licensed employee who meets the eligibility requirements will be eligible for the early retirement amount of \$15,142. A licensed employee whose contractual full-time equivalency (FTE) is less than 1.0 will be eligible for a prorated termination benefit amount by multiplying the employee's percentage FTE by the applicable amount above. A licensed employee with less than twenty consecutive years of service will similarly be eligible for a prorated fraction of the total benefit based on the number of most recent consecutive years of service divided by 20. Employees may continue participation in the District's group insurance plan until Medicare age.

At June 30, 2013, the District had obligations to two participants with a total liability of \$48,000. None of the early retirement benefits will be paid to retirees until the next fiscal year.

(6) Current Refunding of General Obligation Bonds

On April 15, 2013, the District issued \$1,695,000 in general obligation bonds with an average interest rate of 0.71% to refund \$1,655,000 of outstanding 2005 Series bonds with an average interest rate of 3.86%. On May 1, 2013, the net proceeds of \$1,656,632 (after payment of \$6,950 in underwriting fees and \$31,418 of other issuance costs) were used to call in full the 2005 Series general obligation bonds. The remaining surplus of \$1,632 from the refunding issue was deposited into the Debt Service Fund to be applied toward future general obligation principal and interest requirements. As a result, the 2005 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. The new refunding bonds have been added to the appropriate financial statements and schedules. The net present value of savings on the refunding issue is \$166,877.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$178,153, \$174,135, and \$156,265 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 36 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 26,758
Interest on net OPEB obligation	1,356
Adjustment to annual required contribution	(3,738)
Annual OPEB cost	<u>24,376</u>
Contributions made	<u>(4,341)</u>
Increase in net OPEB obligation	20,035
Net OPEB obligation beginning of year	54,271
Net OPEB obligation end of year	<u>\$ 74,306</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the 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, 2013.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 21,824	17.2%	\$ 35,180
2012	23,602	19.1%	54,271
2013	24,376	17.8%	74,306

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$191,888, with no actuarial value of assets, resulting in an

unfunded actuarial accrued liability (UAAL) of \$191,888. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.605 million and the ratio of the UAAL to covered payroll was 12.0%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, 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 unit credit 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 RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

Villisca 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.

(10) 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 \$137,752 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 12,623
Teacher salary supplement	16,444
Student Achievement & Teacher Quality Program - Market factor	3,078
Math and science education improvement	698
Model core curriculum	10,913
Educator Quality Program - Market factor incentives	2,970
Total	<u>\$ 46,726</u>

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, total budgeted expenditures as well as expenditures in the other expenditures functional area exceeded the budgeted amounts.

REQUIRED SUPPLEMENTARY INFORMATION

VILLISCA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 2,743,512	82,045	2,825,557	2,657,108	2,657,108	168,449
Intermediate sources	1,000	-	1,000	-	-	1,000
State sources	2,049,028	4,895	2,053,923	2,134,537	2,134,537	(80,614)
Federal sources	155,055	120,754	275,809	307,700	307,700	(31,891)
Total revenues	<u>4,948,595</u>	<u>207,694</u>	<u>5,156,289</u>	<u>5,099,345</u>	<u>5,099,345</u>	<u>56,944</u>
Expenditures/Expenses:						
Instruction	2,791,394	-	2,791,394	3,321,155	3,321,155	529,761
Support services	1,272,456	6,071	1,278,527	1,623,538	1,623,538	345,011
Non-instructional programs	715	210,400	211,115	548,798	548,798	337,683
Other expenditures	2,261,538	-	2,261,538	616,464	616,464	(1,645,074)
Total expenditures/expenses	<u>6,326,103</u>	<u>216,471</u>	<u>6,542,574</u>	<u>6,109,955</u>	<u>6,109,955</u>	<u>(432,619)</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,377,508)	(8,777)	(1,386,285)	(1,010,610)	(1,010,610)	(375,675)
Other financing sources, net	1,710,798	2,697	1,713,495	-	-	1,713,495
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	333,290	(6,080)	327,210	(1,010,610)	(1,010,610)	1,337,820
Balance beginning of year	1,623,818	36,939	1,660,757	1,036,534	1,036,534	624,223
Balance end of year	<u>\$ 1,957,108</u>	<u>30,859</u>	<u>1,987,967</u>	<u>25,924</u>	<u>25,924</u>	<u>1,962,043</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP budget and appropriations lapse at year end.

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

During the year ended June 30, 2013, total budgeted expenditures as well as expenditures in the other expenditures functional area exceeded the budgeted amounts.

VILLISCA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$191	\$191	0.0%	\$1,570	12.2%
2011	July 1, 2009	-	\$191	\$191	0.0%	\$1,630	11.7%
2012	July 1, 2009	-	\$180	\$180	0.0%	\$1,761	10.2%
2013	July 1, 2012	-	\$192	\$192	0.0%	\$1,605	12.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Manage-	Student	Total
	ment Levy	Activity	
ASSETS			
Cash and pooled investments	\$ 293,369	38,996	332,365
Receivables:			
Property tax:			
Delinquent	2,443	-	2,443
Succeeding year	140,000	-	140,000
Accounts	-	6,331	6,331
TOTAL ASSETS	\$ 435,812	45,327	481,139
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	5,569	5,569
Deferred revenue:			
Succeeding year property tax	140,000	-	140,000
Total liabilities	140,000	5,569	145,569
Fund balances:			
Restricted for:			
Management levy purposes	295,812	-	295,812
Student activities	-	39,758	39,758
Total fund balances	295,812	39,758	335,570
TOTAL LIABILITIES AND FUND BALANCES	\$ 435,812	45,327	481,139

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 174,980	-	174,980
Other	3,016	215,082	218,098
State sources	82	-	82
TOTAL REVENUES	<u>178,078</u>	<u>215,082</u>	<u>393,160</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	13,592	-	13,592
Other	-	207,779	207,779
Support services:			
Student	715	-	715
Instructional staff	715	-	715
Administration	6,899	-	6,899
Operation and maintenance of plant	29,896	-	29,896
Transportation	14,993	-	14,993
Non-instructional programs:			
Food service operations	715	-	715
TOTAL EXPENDITURES	<u>67,525</u>	<u>207,779</u>	<u>275,304</u>
Change in fund balances	110,553	7,303	117,856
Fund balances beginning of year	<u>185,259</u>	<u>32,455</u>	<u>217,714</u>
Fund balances end of year	<u>\$ 295,812</u>	<u>39,758</u>	<u>335,570</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 424,193	174,858	599,051
Receivables:			
Property tax:			
Delinquent	-	808	808
Succeeding year	-	63,755	63,755
Income surtax	-	56,970	56,970
Accounts	7,491	-	7,491
Due from other governments	89,498	-	89,498
TOTAL ASSETS	\$ 521,182	296,391	817,573
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	647	647
Deferred revenue:			
Succeeding year property tax	-	63,755	63,755
Income surtax		56,970	56,970
Total liabilities	-	121,372	121,372
Fund balances:			
Restricted for:			
School infrastructure	521,182	-	521,182
Physical plant and equipment	-	175,019	175,019
Total fund balances	521,182	175,019	696,201
TOTAL LIABILITIES AND FUND BALANCES	\$ 521,182	296,391	817,573

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 304,608	113,639	418,247
Other	1,384	943	2,327
Intermediate sources	1,000	-	1,000
State sources	-	27	27
Federal sources	6,262	-	6,262
TOTAL REVENUES	313,254	114,609	427,863
EXPENDITURES:			
Current:			
Instruction:			
Regular	165	-	165
Support services:			
Instructional staff	2,953	8,799	11,752
Administration	-	49,638	49,638
Operation and maintenance of plant	45,847	-	45,847
Capital outlay	163,538	32,663	196,201
TOTAL EXPENDITURES	212,503	91,100	303,603
Excess of revenues over expenditures	100,751	23,509	124,260
OTHER FINANCING SOURCES (USES):			
Transfer out	-	(152,632)	(152,632)
Insurance proceeds	-	14,684	14,684
TOTAL OTHER FINANCING SOURCES (USES)	-	(137,948)	(137,948)
Change in fund balances	100,751	(114,439)	(13,688)
Fund balances beginning of year	420,431	289,458	709,889
Fund balances end of year	\$ 521,182	175,019	696,201

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Sport Towels	\$ -	-	-	-
Drama Club	112	5,276	5,214	174
Music Boosters	589	632	720	501
Track	-	2,896	2,896	-
Golf	-	320	320	-
Football	-	8,738	7,156	1,582
Volleyball	471	3,826	2,702	1,595
SW Valley Activities	-	14,493	14,493	-
Athletics	-	11,275	9,230	2,045
Basketball	8,829	18,400	19,601	7,628
Activity Tickets	2,497	2,665	4,312	850
Softball/Baseball	-	4,136	4,071	65
Y-teens	5,117	14,759	14,419	5,457
FFA	2,890	15,039	15,926	2,003
Student Vending Machine	-	12,945	12,945	-
Science Club	620	34,703	35,096	227
Cheerleaders	699	732	780	651
Student Council	2,108	7,866	8,906	1,068
JH Boosters	13	-	-	13
Destination Image	-	376	376	-
Annual Staff	2,089	7,162	5,610	3,641
Dance Team	1,829	3,512	3,598	1,743
Elementary Club K-6	47	15,711	9,520	6,238
National Honor Society	-	6,026	5,867	159
Class of 2012	2,537	-	2,537	-
Class of 2013	1,324	812	1,844	292
Class of 2014	470	13,847	11,954	2,363
Class of 2015	110	94	141	63
Class of 2016	-	1,032	562	470
Class of 2017	-	48	48	-
Class of 2018	-	28	28	-
Interest	91	99	-	190
Secondary Student Club	13	7,634	6,907	740
Total	\$ 32,455	215,082	207,779	39,758

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund					
	Schroeder Scholarship	Activity Scholarship	Nelson Foundation	Telephone Scholarship	Wright Scholarship	Total
ASSETS						
Cash and pooled investments	\$ 8,803	250	2,160	74,059	77,859	163,131
LIABILITIES	-	-	-	-	-	-
NET POSITION						
Restricted for scholarships	\$ 8,803	250	2,160	74,059	77,859	163,131

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund					
	Schroeder Scholarship	Activity Scholarship	Nelson Foundation	Telephone Scholarship	Wright Scholarship	Total
Additions:						
Local sources:						
Gifts and contributions	\$ -	1,650	-	-	-	1,650
Interest income	26	-	4	228	219	477
Total additions	26	1,650	4	228	219	2,127
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	500	1,400	200	3,000	1,500	6,600
Change in net position	(474)	250	(196)	(2,772)	(1,281)	(4,473)
Net position beginning of year	9,277	-	2,356	76,831	79,140	167,604
Net position end of year	\$ 8,803	250	2,160	74,059	77,859	163,131

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,265,633	2,149,659	1,994,813	1,882,603	1,782,466	1,672,573	1,713,306	1,618,303	1,610,022	1,492,769
Tuition	84,264	56,511	90,042	42,805	82,126	133,313	78,454	58,162	45,031	97,588
Other	393,615	254,809	271,311	312,791	319,712	341,045	379,718	339,455	212,189	226,065
Intermediate sources	1,000	10,000	11,346	-	-	-	-	-	-	-
State sources	2,049,028	2,006,854	2,027,397	1,775,502	1,988,734	1,987,897	2,030,310	1,936,781	1,734,318	1,719,088
Federal sources	155,055	148,814	339,188	405,929	207,471	143,688	168,305	200,758	232,005	175,949
Total	\$ 4,948,595	4,626,647	4,734,097	4,419,630	4,380,509	4,278,516	4,370,093	4,153,459	3,833,565	3,711,459
Expenditures:										
Instruction:										
Regular	\$ 1,661,933	1,627,127	1,613,438	1,599,377	1,397,153	1,428,828	1,428,324	1,594,716	1,380,388	1,235,610
Special	453,710	479,201	451,865	444,757	540,996	541,847	533,797	438,880	459,736	569,350
Other	675,751	643,822	730,883	583,371	621,099	589,054	569,932	426,302	437,493	371,371
Support services:										
Student	99,283	125,571	54,609	91,846	53,177	97,079	89,149	107,231	76,683	78,347
Instructional staff	77,917	108,568	151,412	239,745	117,093	103,131	75,244	51,932	43,227	50,223
Administration	534,086	467,479	450,862	455,996	480,945	452,996	445,301	509,316	444,100	434,571
Operation and maintenance of plant	417,800	617,300	378,682	370,980	334,191	343,303	333,064	317,474	261,083	265,591
Transportation	143,370	179,815	154,482	268,737	152,017	218,335	230,966	222,208	197,724	198,894
Non-instructional programs:										
Food service	715	764	737	604	506	440	277	277	254	233
Community service and education operations	-	-	-	-	6,150	3,075	-	-	31,943	29,319
Capital outlay	196,201	-	64,977	113,796	92,996	101,231	106,132	93,679	104,824	51,122
Long term debt:										
Principal	1,855,000	195,000	185,000	2,340,000	155,000	140,000	135,000	130,000	120,000	115,000
Interest	72,585	80,385	87,735	217,435	227,535	235,537	243,635	200,120	171,350	178,150
Other expenditures:										
AEA flow-through	137,752	136,948	156,696	156,434	142,086	137,356	135,298	127,217	120,890	124,144
Total	\$ 6,326,103	4,661,980	4,481,378	6,883,078	4,320,944	4,392,212	4,326,119	4,219,352	3,849,695	3,706,211

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the Villisca 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 Villisca Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Villisca 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, 2013 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.

Villisca Community School District's Responses to Findings

Villisca Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Villisca 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 Villisca 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.

January 14, 2014
Newton, Iowa

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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. The following are areas in the District's internal control where duties appear to be incompatible:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The District will investigate available alternatives to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials and implement them as soon as possible.

Conclusion - Response accepted.

I-B-13 Scholarship Awards - We noted during our audit that the Student Council account in the Student Activity Fund had checks written for scholarship awards. It appears that the scholarship awards were given from carryover proceeds in the Student Council account.

Recommendation - If the Student Council intends on awarding scholarships each year, the District needs to make the sponsor of the Student Council aware and to fundraise specifically for the purpose of awarding a scholarship each year. The sponsor of the Student Council cannot arbitrarily decide to award scholarships from carryover proceeds in the Student Council account. Funds raised for scholarships should be placed in the Trust fund and payment made from that fund.

Response - The District has implemented a new procedure for scholarship dollars. Sponsors are to designate a fundraiser specifically for the purpose of awarding a scholarship each year.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - During the year ended June 30, 2013, total budgeted expenditures as well as expenditures in the other expenditures functional area exceeded the budgeted amounts.

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

Response - In the future, the District will amend the budget when necessary.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979 were noted.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lisa Kernen, Teacher Spouse owns Granny's Auto Parts	Supplies	\$1,655

In accordance with Attorney's General Opinion dated November 9, 1976, the above transaction with the spouse of the teacher does not appear to represent a conflict of interest.

II-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of students reported to the Iowa Department of Education was understated by 1.0 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve the understatement of one student.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve the enrollment adjustments.

Conclusion - Response accepted.

Enrollment Procedures: In addition, we noted during our audit that the District has required adjustments for several consecutive years regarding both spring and fall enrollment data certified to the Iowa Department of Education. It would appear that the District procedures in place regarding certified enrollment reporting are insufficient to ensure reporting accuracy to the Iowa Department of Education.

Recommendation - The District should review the policies and procedures in place regarding certified enrollment reporting. At a minimum, the District should address issues concerning system security controls, student addition/removal controls and cutoff procedures. The District may wish to install additional procedures including but not limited to additional review of enrollment data by another individual before it is submitted to the Iowa Department of Education. The District should also evaluate if additional training may be necessary for staff who work with certified enrollment.

Response - The District has been working with staff to correct the issue. The District has had staff changes in the past couple years and continue to teach them on the issue.

Conclusion - Response accepted.

- II-H-13 Supplementary Weighting - No variances regarding supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 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-13 Categorical Funding - No instances were noted of the District using categorical funding to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 420,431
Revenues:		
Sales tax revenues	\$ 304,608	
Federal revenues	6,262	
Other local revenues	<u>2,384</u>	<u>313,254</u>
		733,685
Expenditures:		
Equipment	\$ 29,228	
Other	<u>183,275</u>	<u>212,503</u>
Ending balance		<u>\$ 521,182</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.