

VILLISCA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Villisca Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Tom Williams	President	2015
Jason Poston	Vice President	2015
Leland Shipley	Board Member	2017
John Baker	Board Member	2015
Todd Drake	Board Member	2017
School Officials		
William Stone	Superintendent	2015
Jessie Forsythe	Board Secretary/ Business Manager	2015
Ahlers & Cooney, P.C.	Attorney	2015

VILLISCA COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 14 to the financial statements, Villisca Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2014 (which are not presented herein) and expressed unmodified 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 March 23, 2016 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.

March 23, 2016
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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,370,576 in fiscal year 2014 to \$4,057,755 in fiscal year 2015, while General Fund expenditures decreased from \$4,744,689 in fiscal year 2014 to \$4,125,065 in year fiscal 2015. The result is a decrease in the District's General Fund balance from \$396,914 at June 30, 2014 to a balance of \$329,604 at June 30, 2015, a decrease of 16.96% 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 Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

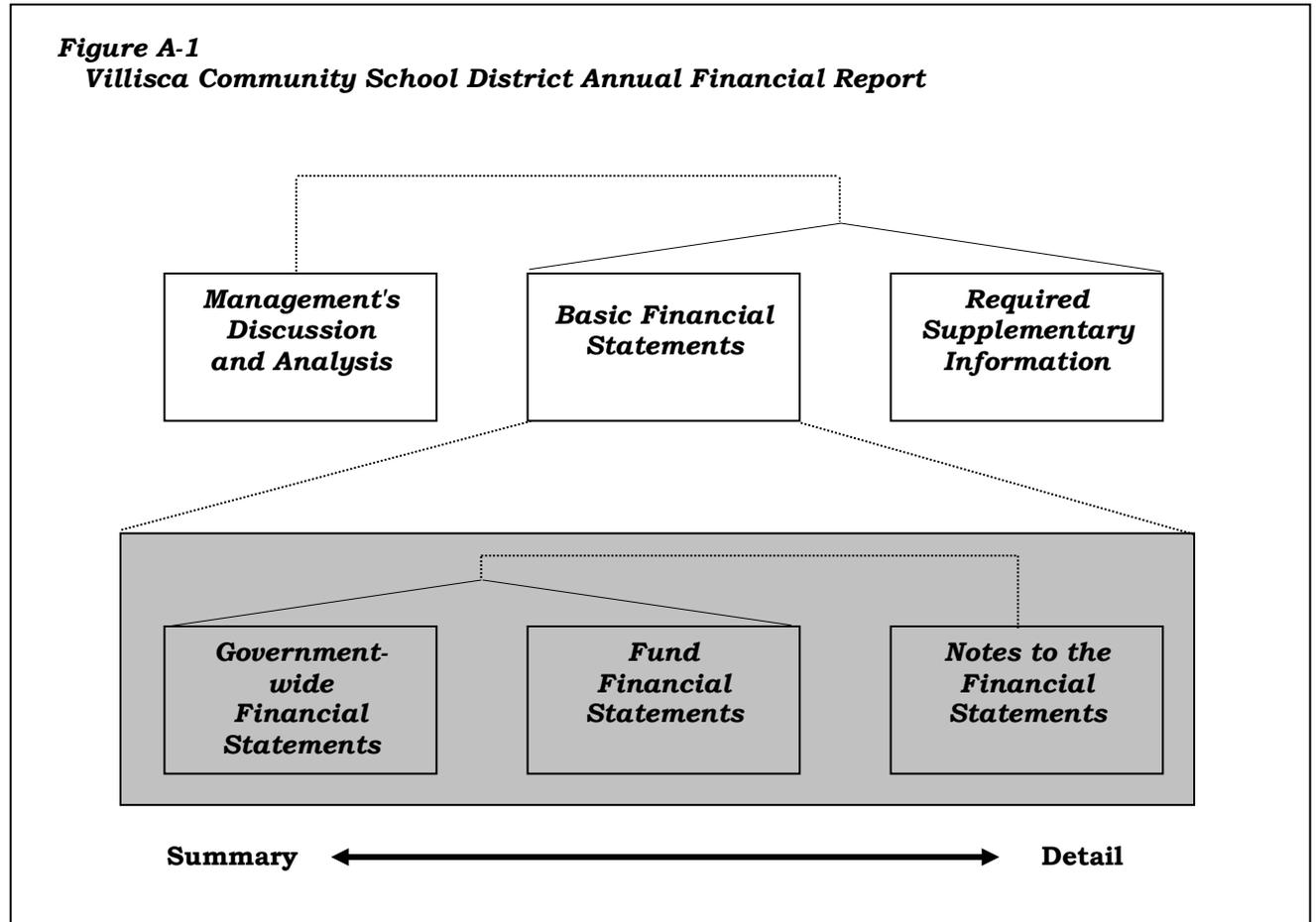


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or 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 and wellness center are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Project Funds, and the 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 has two Enterprise Funds: the School Nutrition Fund and the Wellness Center Fund.

The required financial statements for the proprietary funds include a Statement of Net Position, a 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 Private-Purpose Trust Fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 4,323,569	4,398,856	25,482	20,587	4,349,051	4,419,443	-1.59%
Capital assets	5,014,295	4,946,186	14,318	19,335	5,028,613	4,965,521	1.27%
Total assets	9,337,864	9,345,042	39,800	39,922	9,377,664	9,384,964	-0.08%
Deferred outflows of resources	241,104	-	9,447	-	250,551	-	100.00%
Long-term liabilities	3,602,949	2,570,287	42,333	-	3,645,282	2,570,287	41.82%
Other liabilities	805,538	1,060,893	4,618	5,966	810,156	1,066,859	-24.06%
Total liabilities	4,408,487	3,631,180	46,951	5,966	4,455,438	3,637,146	22.50%
Deferred inflows of resources	2,631,690	2,044,003	18,055	-	2,649,745	2,044,003	29.64%
Net position:							
Net investment in capital assets	2,889,295	2,486,186	14,318	19,335	2,903,613	2,505,521	15.89%
Restricted	1,109,223	912,708	-	-	1,109,223	912,708	21.53%
Unrestricted	(1,459,727)	270,965	(30,077)	14,621	(1,489,804)	285,586	-621.67%
Total net position	\$ 2,538,791	3,669,859	(15,759)	33,956	2,523,032	3,703,815	-31.88%

The District's combined net position decreased by 31.88%, or \$1,180,783, from 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 \$196,515 or 21.53% from the prior year. The increase in restricted net position is mainly attributable to the increase in fund balance for the Debt Service 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 - decreased by \$1,775,390 or 621.67%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,690,334 and \$55,338, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 749,924	926,533	93,826	73,704	843,750	1,000,237	-15.64%
Operating grants, contributions and restricted interest	368,255	418,072	126,120	127,525	494,375	545,597	-9.39%
Capital grants, contributions and restricted interest	3,422	-	-	-	3,422	-	100.00%
General revenues:							
Property tax	2,046,480	1,952,103	-	-	2,046,480	1,952,103	4.83%
Statewide sales, services and use tax	311,204	294,561	-	-	311,204	294,561	5.65%
Income surtax	21,194	66,975	-	-	21,194	66,975	-68.36%
Unrestricted state grants	1,654,286	1,564,056	-	-	1,654,286	1,564,056	5.77%
Unrestricted investment earnings	5,720	9,204	7	5	5,727	9,209	-37.81%
Other	14,064	35,507	6,706	-	20,770	35,507	-41.50%
Total revenues	5,174,549	5,267,011	226,659	201,234	5,401,208	5,468,245	-1.23%
Program expenses:							
Instruction	2,985,773	3,553,969	-	-	2,985,773	3,553,969	-15.99%
Support services	1,324,540	1,502,112	3,920	3,976	1,328,460	1,506,088	-11.79%
Non-instructional programs	649	690	217,116	194,161	217,765	194,851	11.76%
Other expenses	304,321	265,689	-	-	304,321	265,689	14.54%
Total expenses	4,615,283	5,322,460	221,036	198,137	4,836,319	5,520,597	-12.40%
Change in net position	559,266	(55,449)	5,623	3,097	564,889	(52,352)	-1179.02%
Net position beginning of year, as restated	1,979,525	3,725,308	(21,382)	30,859	1,958,143	3,756,167	-47.87%
Net position end of year	\$ 2,538,791	3,669,859	(15,759)	33,956	2,523,032	3,703,815	-31.88%

In fiscal 2015, property tax and unrestricted state grants account for 71.52% of the revenue from governmental activities while charges for services and operating grants and contributions account for almost 100% of the revenue from business type activities. The District's total revenues were \$5,401,208 of which \$5,174,549 was for governmental activities and \$226,659 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.23% decrease in revenues and a 12.40% decrease in expenses. Property tax increased \$94,377 to fund expenses. The decrease in expenses is mainly attributable to the decrease of expenses in the instruction functional area.

Governmental Activities

Revenues for the governmental activities were \$5,174,549 and expenses were \$4,615,283, for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 2,985,773	3,553,969	-15.99%	2,073,342	2,455,608	-15.57%
Support services	1,324,540	1,502,112	-11.82%	1,255,403	1,395,972	-10.07%
Non-instructional	649	690	-5.94%	649	690	-5.94%
Other expenses	304,321	265,689	14.54%	164,288	125,585	30.82%
Totals	\$ 4,615,283	5,322,460	-13.29%	3,493,682	3,977,855	-12.17%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$749,924.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$371,677.
- The net cost of governmental activities was financed with \$2,046,480 in property tax, \$311,204 in statewide sales, services and use tax, \$21,194 in income surtax, \$1,654,286 in unrestricted state grants, \$5,720 in interest income, and \$14,064 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$226,659, representing a 12.63% increase from the prior year, while expenses totaled \$221,036, a 11.58% increase from the prior year. The District's business type activities include the School Nutrition Fund and Wellness Center. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

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 \$1,432,854, above last year's ending fund balances of a \$1,256,938. Increases in fund balances for the Debt Service Fund and Management Levy Fund led to the increase in total fund balances at the end of the year.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Local source revenues decreased when compared to the previous year. Expenditures decreased in the instruction and support services functional areas resulting in a decrease in fund balance of \$67,310. This resulted in a decrease in General Fund balance from \$396,914 at June 30, 2014 to \$329,604 at June 30, 2015.
- The Capital Projects Fund balance decreased from \$252,490 at June 30, 2014 to \$102,919 at June 30, 2015. The decrease in balance was primarily the result of continued expenditures associated with the new wellness center in the District.
- The Debt Service Fund balance increased from \$247,034 at June 30, 2014 to \$557,652 at June 30, 2015. The increase in balance was primarily due to the increase in the amount of local tax received, due to the \$185,000 of tax levied as part of the 2015 budgeting process which will be used to call general obligation bonds when they become callable on May 1, 2018.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from deficit \$21,382 restated at July 1, 2014 to deficit \$24,359 at June 30, 2015, representing an increase of approximately 13.92%.

The Wellness Center Fund net position increased from \$0 at June 30, 2014 to \$8,600 at June 30, 2015.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Villisca Community School District amended its budget one time to reflect additional expenditures in the other expenditures functional areas.

The District's revenues were \$69,765 less than budgeted revenues, a variance of 1.27%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$5,028,613, 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 1.27% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$209,532.

The original cost of the District's capital assets was \$8,115,219. Governmental funds account for \$7,942,856 with the remainder of \$172,363 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 \$1,433,629 reported at June 30, 2014, compared to \$0 reported at June 30, 2015. The decrease in construction in progress is due to the completion of a new wellness center.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 18,650	18,650	-	-	18,650	18,650	0.00%
Construction in progress	-	1,433,629	-	-	-	1,433,629	-100.00%
Buildings	4,695,478	3,132,791	-	-	4,695,478	3,132,791	49.88%
Land improvements	7,604	8,363	-	-	7,604	8,363	-9.08%
Machinery and equipment	292,563	352,753	14,318	19,335	306,881	372,088	-17.52%
Total	\$ 5,014,295	4,946,186	14,318	19,335	5,028,613	4,965,521	1.27%

Long-Term Debt

At June 30, 2015, the District had long-term debt outstanding of \$3,645,282 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of 41.82% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- The District had \$1,220,000 of outstanding general obligation bonds at June 30, 2015 payable from the Debt Service Fund.
- The District had \$905,000 of outstanding revenue bonds at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had \$72,000 of outstanding termination benefits at June 30, 2015 payable from the Special Revenue: Management Levy Fund.
- The District had a net pension liability of \$1,335,440 at June 30, 2015, of which \$1,293,107 was attributable to the governmental activities and \$42,333 was attributable to the business type activities.
- The District had a net OPEB liability of \$112,842 at June 30, 2015.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 1,220,000	1,460,000	-	-	1,220,000	1,460,000	-16.44%
Revenue bonds	905,000	1,000,000	-	-	905,000	1,000,000	-9.50%
Termination benefits	72,000	19,193	-	-	72,000	19,193	275.14%
Net pension liability	1,293,107	-	42,333	-	1,335,440	-	100.00%
Net OPEB liability	112,842	91,094	-	-	112,842	91,094	23.87%
Total	\$ 3,602,949	2,570,287	42,333	-	3,645,282	2,570,287	41.82%

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:

- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- This is the District's second year entering a Wholegrade Sharing Agreement with the Corning Community School District.
- Enrollment changes will continue to affect the District's budget.

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.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,701,274	17,391	1,718,665
Receivables:			
Property tax:			
Delinquent	32,841	-	32,841
Succeeding year	2,080,189	-	2,080,189
Income surtax	17,045	-	17,045
Accounts	10,319	-	10,319
Inventories	-	5,667	5,667
Due from other governments	481,901	2,424	484,325
Capital assets, net of accumulated depreciation	5,014,295	14,318	5,028,613
Total assets	9,337,864	39,800	9,377,664
Deferred Outflows of Resources			
Pension related deferred outflows	241,104	9,447	250,551
Liabilities			
Accounts payable	533,631	1,530	535,161
Salaries and benefits payable	259,850	1,027	260,877
Unearned revenue	-	2,061	2,061
Accrued interest payable	12,057	-	12,057
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	240,000	-	240,000
Revenue bonds payable	95,000	-	95,000
Termination benefits payable	19,485	-	19,485
Portion due after one year:			
General obligation bonds payable	980,000	-	980,000
Revenue bonds payable	810,000	-	810,000
Termination benefits payable	52,515	-	52,515
Net pension liability	1,293,107	42,333	1,335,440
Net OPEB liability	112,842	-	112,842
Total liabilities	4,408,487	46,951	4,455,438
Deferred Inflows of Resources			
Pension related deferred inflows	551,501	18,055	569,556
Unavailable property tax revenue	2,080,189	-	2,080,189
Total Deferred Inflows of Resources	2,631,690	18,055	2,649,745
Net position			
Net investment in capital assets	2,889,295	14,318	2,903,613
Restricted for:			
Categorical funding	90,030	-	90,030
School infrastructure	26,949	-	26,949
Physical plant and equipment	75,970	-	75,970
Management levy purposes	351,910	-	351,910
Student activities	18,769	-	18,769
Debt service	545,595	-	545,595
Unrestricted	(1,459,727)	(30,077)	(1,489,804)
Total net position	\$ 2,538,791	(15,759)	2,523,032

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,914,910	451,797	34,134	-	(1,428,979)	-	(1,428,979)
Special	620,474	194,852	16,246	-	(409,376)	-	(409,376)
Other	450,389	38,940	176,462	-	(234,987)	-	(234,987)
	<u>2,985,773</u>	<u>685,589</u>	<u>226,842</u>	<u>-</u>	<u>(2,073,342)</u>	<u>-</u>	<u>(2,073,342)</u>
Support services:							
Student	46,453	-	-	-	(46,453)	-	(46,453)
Instructional staff	87,894	12,123	1,380	-	(74,391)	-	(74,391)
Administration	460,839	-	-	-	(460,839)	-	(460,839)
Operation and maintenance of plant	446,490	-	-	3,422	(443,068)	-	(443,068)
Transportation	282,864	52,212	-	-	(230,652)	-	(230,652)
	<u>1,324,540</u>	<u>64,335</u>	<u>1,380</u>	<u>3,422</u>	<u>(1,255,403)</u>	<u>-</u>	<u>(1,255,403)</u>
Non-instructional programs:							
Food service operations	649	-	-	-	(649)	-	(649)
Long-term debt interest	34,293	-	-	-	(34,293)	-	(34,293)
Other expenses:							
AEA flowthrough	140,033	-	140,033	-	-	-	-
Depreciation(unallocated)*	129,995	-	-	-	(129,995)	-	(129,995)
	<u>270,028</u>	<u>-</u>	<u>140,033</u>	<u>-</u>	<u>(129,995)</u>	<u>-</u>	<u>(129,995)</u>
Total governmental activities	<u>4,615,283</u>	<u>749,924</u>	<u>368,255</u>	<u>3,422</u>	<u>(3,493,682)</u>	<u>-</u>	<u>(3,493,682)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	3,920	-	-	-	-	(3,920)	(3,920)
Non-instructional programs:							
Food service operations	204,118	72,228	126,120	-	-	(5,770)	(5,770)
Wellness center operations	12,998	21,598	-	-	-	8,600	8,600
Total business type activities	<u>221,036</u>	<u>93,826</u>	<u>126,120</u>	<u>-</u>	<u>-</u>	<u>(1,090)</u>	<u>(1,090)</u>
Total	<u>\$ 4,836,319</u>	<u>843,750</u>	<u>494,375</u>	<u>3,422</u>	<u>(3,493,682)</u>	<u>(1,090)</u>	<u>(3,494,772)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,501,666	-		1,501,666
Debt service				436,808	-		436,808
Capital outlay				108,006	-		108,006
Income surtax				21,194	-		21,194
Statewide sales, services and use tax				311,204	-		311,204
Unrestricted state grants				1,654,286	-		1,654,286
Unrestricted investment earnings				5,720	7		5,727
Other				14,064	6,706		20,770
Total general revenues				<u>4,052,948</u>	<u>6,713</u>		<u>4,059,661</u>
Change in net position				559,266	5,623		564,889
Net position beginning of year, as restated				1,979,525	(21,382)		1,958,143
Net position end of year				<u>\$ 2,538,791</u>	<u>(15,759)</u>		<u>2,523,032</u>

* 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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 523,833	182,792	550,642	444,007	1,701,274
Receivables:					
Property tax:					
Delinquent	21,045	1,733	7,010	3,053	32,841
Succeeding year	1,717,740	111,880	250,569	-	2,080,189
Income surtax	-	17,045	-	-	17,045
Due from other funds	130,000	-	-	-	130,000
Accounts	10,319	-	-	-	10,319
Due from other governments	433,507	48,394	-	-	481,901
Total assets	\$ 2,836,444	361,844	808,221	447,060	4,453,569
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Due to other funds	\$ -	130,000	-	-	130,000
Accounts payable	529,250	-	-	4,381	533,631
Salaries and benefits payable	259,850	-	-	-	259,850
Total liabilities	789,100	130,000	-	4,381	923,481
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,717,740	111,880	250,569	-	2,080,189
Income surtax	-	17,045	-	-	17,045
Total deferred inflows of resources	1,717,740	128,925	250,569	-	2,097,234
Fund balances:					
Restricted for:					
Categorical funding	90,030	-	-	-	90,030
School infrastructure	-	26,949	-	-	26,949
Physical plant and equipment	-	75,970	-	-	75,970
Management levy purposes	-	-	-	423,910	423,910
Student activities	-	-	-	18,769	18,769
Debt service	-	-	557,652	-	557,652
Unassigned	239,574	-	-	-	239,574
Total fund balances	329,604	102,919	557,652	442,679	1,432,854
Total liabilities, deferred inflows of resources and fund balances	\$ 2,836,444	361,844	808,221	447,060	4,453,569

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	1,432,854
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,014,295
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.		(12,057)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal year and is recognized as deferred inflows of resources in the governmental funds.		17,045
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 241,104	
Deferred inflows of resources	<u>(551,501)</u>	(310,397)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, termination benefits payable, net pension liability, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,602,949)</u>
Net position of governmental activities (page 18)	\$	<u>2,538,791</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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,311,435	167,921	436,808	190,231	2,106,395
Tuition	565,787	-	-	-	565,787
Other	186,974	594	1,496	43,213	232,277
Intermediate sources	-	3,422	-	-	3,422
State sources	1,853,813	311,539	1,357	591	2,167,300
Federal sources	138,089	-	-	-	138,089
TOTAL REVENUES	4,056,098	483,476	439,661	234,035	5,213,270
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,820,208	-	-	50,733	1,870,941
Special	635,794	-	-	-	635,794
Other	413,503	-	-	36,353	449,856
	2,869,505	-	-	87,086	2,956,591
Support services:					
Student	66,808	-	-	649	67,457
Instructional staff	65,416	20,697	-	649	86,762
Administration	424,702	43,355	-	10,591	478,648
Operation and maintenance of plant	322,737	19,720	-	36,139	378,596
Transportation	235,864	-	-	16,093	251,957
	1,115,527	83,772	-	64,121	1,263,420
Non-instructional programs:					
Food service operations	-	-	-	649	649
Capital outlay					
	-	302,338	-	-	302,338
Long-term debt:					
Principal	-	-	335,000	-	335,000
Interest and fiscal charges	-	-	40,980	-	40,980
	-	-	375,980	-	375,980
Other expenditures:					
AEA flowthrough	140,033	-	-	-	140,033
TOTAL EXPENDITURES	4,125,065	386,110	375,980	151,856	5,039,011
Excess(Deficiency) of revenues over(under) expenditures	(68,967)	97,366	63,681	82,179	174,259
OTHER FINANCING SOURCES(USES):					
Transfer in	-	-	246,937	-	246,937
Transfer out	-	(246,937)	-	-	(246,937)
Insurance proceeds	1,657	-	-	-	1,657
TOTAL OTHER FINANCING SOURCES(USES)	1,657	(246,937)	246,937	-	1,657
Change in fund balances	(67,310)	(149,571)	310,618	82,179	175,916
Fund balances beginning of year	396,914	252,490	247,034	360,500	1,256,938
Fund balances end of year	\$ 329,604	102,919	557,652	442,679	1,432,854

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, 2015

Change in fund balances - total governmental funds (page 22) \$ 175,916

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 outlay and depreciation expense in the year are as follows:

Capital outlay	\$ 272,711	
Depreciation expense	<u>(204,602)</u>	68,109

Income surtax account receivable is not available to finance expenditures of the current year and, therefore, is shown as deferred inflows of resources in the governmental funds. (38,721)

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. 335,000

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 169,982

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. 6,687

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	(52,807)	
Pension expense	(83,152)	
Other postemployment benefits	<u>(21,748)</u>	<u>(157,707)</u>

Change in net position of governmental activities (page 19) \$ 559,266

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities		
	School Nutrition	Wellness Center	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 8,915	8,476	17,391
Inventories	5,667	-	5,667
Due from other governments	2,424	-	2,424
Total current assets	17,006	8,476	25,482
Noncurrent assets:			
Capital assets, net of accumulated depreciation	14,318	-	14,318
Total assets	31,324	8,476	39,800
Deferred Outflows of Resources			
Pension related deferred outflows	9,323	124	9,447
Liabilities:			
Current liabilities:			
Accounts payable	1,530	-	1,530
Salaries and benefits payable	1,027	-	1,027
Unearned revenue	2,061	-	2,061
Total current liabilities	4,618	-	4,618
Noncurrent liabilities:			
Net pension liability	42,333	-	42,333
Total liabilities	46,951	-	46,951
Deferred Outflows of Resources			
Pension related deferred outflows	18,055	-	18,055
Net Position			
Net investment in capital assets	14,318	-	14,318
Unrestricted	(38,677)	8,600	(30,077)
Total net position	\$ (24,359)	8,600	(15,759)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Wellness Center	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 72,228	21,598	93,826
Miscellaneous	6,706	-	6,706
TOTAL OPERATING REVENUES	78,934	21,598	100,532
OPERATING EXPENSES:			
Support services:			
Operation and maintenance of plant:			
Services	3,189	-	3,189
Supplies	731	-	731
TOTAL SUPPORT SERVICES	3,920	-	3,920
Non-instructional programs:			
Food service operations:			
Salaries	77,253	-	77,253
Benefits	8,446	-	8,446
Supplies	113,402	-	113,402
Depreciation	4,930	-	4,930
	204,031	-	204,031
Other enterprise operations:			
Salaries	-	1,388	1,388
Benefits	-	106	106
Services	-	575	575
Supplies	-	10,929	10,929
	-	12,998	12,998
TOTAL NON-INSTRUNCTIONAL PROGRAMS	204,031	12,998	217,029
TOTAL OPERATING EXPENSES	207,951	12,998	220,949
OPERATING INCOME(LOSS)	(129,017)	8,600	(120,417)
NON-OPERATING REVENUES(EXPENSES):			
State sources	1,651	-	1,651
Federal sources	124,469	-	124,469
Interest on investments	7	-	7
Loss on asset disposal	(87)	-	(87)
TOTAL NON-OPERATING REVENUES(EXPENSES)	126,040	-	126,040
Change in net position	(2,977)	8,600	5,623
Net position beginning of year, as restated	(21,382)	-	(21,382)
Net position end of year	\$ (24,359)	8,600	(15,759)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	School Nutrition	Wellness Center	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 72,093	-	72,093
Cash received from wellness center activities	-	21,598	21,598
Cash payments from miscellaneous	6,706	-	6,706
Cash payments to employees for services	(90,279)	(1,618)	(91,897)
Cash payments to suppliers for goods or services	(100,279)	(11,504)	(111,783)
Net cash provided by(used in) operating activities	<u>(111,759)</u>	<u>8,476</u>	<u>(103,283)</u>
Cash flows from non-capital financing activities:			
State grants received	1,651	-	1,651
Federal grants received	108,885	-	108,885
Net cash provided by non-capital financing activities	<u>110,536</u>	<u>-</u>	<u>110,536</u>
Cash flows from investing activities:			
Interest on investments	<u>7</u>	<u>-</u>	<u>7</u>
Net increase(decrease) in cash and pooled investments	(1,216)	8,476	7,260
Cash and pooled investments beginning of year	<u>10,131</u>	<u>-</u>	<u>10,131</u>
Cash and pooled investments end of year	<u>\$ 8,915</u>	<u>8,476</u>	<u>17,391</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (129,017)	8,600	(120,417)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	13,160	-	13,160
Depreciation	4,930	-	4,930
Decrease in inventories	4,789	-	4,789
Decrease in accounts payable	(906)	-	(906)
Decrease in salaries and benefits payable	(307)	-	(307)
Decrease in net pension liability	(19,242)	-	(19,242)
Increase in deferred outflows of resources	(3,086)	(124)	(3,210)
Increase in deferred inflows of resources	18,055	-	18,055
Decrease in unearned revenues	(135)	-	(135)
Net cash provided by(used in) operating activities	<u>\$ (111,759)</u>	<u>8,476</u>	<u>(103,283)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$13,160 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 150,727
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 150,727</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	<u>\$ 365</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>6,200</u>
Change in net position	(5,835)
Net position beginning of year	<u>156,562</u>
Net position end of year	<u>\$ 150,727</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

(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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 property tax and other revenues to be used for the payment of principal and interest on the District's long-term debt.

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

Another nonmajor proprietary fund is the Wellness Center Fund. The Wellness Center Fund is used to account for the Wellness Center operations of the District.

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

C. Measurement Focus and Basis of Accounting

The government-wide 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.

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	150,000
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
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 or more
Machinery and equipment	5-12 years

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2015 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, 2015, the District had no investments to be reported.

(3) Due From and Due to Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 130,000</u>

The Capital Projects: Statewide Sales, Services and Use Tax is repaying the General Fund for money borrowed for salaries and benefits and not repaid by the end of the year.

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 122,201
Debt Service	Capital Projects: Physical Plant and Equipment Levy	124,736
Total		<u>\$ 246,937</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Fund to the Debt Service Fund was needed for the principal and interest payments on the District's revenue bond indebtedness.

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.

(5) Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,650	-	-	18,650
Construction in progress	1,433,629	258,294	1,691,923	-
Total capital assets not being depreciated	<u>1,452,279</u>	<u>258,294</u>	<u>1,691,923</u>	<u>18,650</u>
Capital assets being depreciated:				
Buildings	4,967,740	1,691,923	-	6,659,663
Land improvements	118,119	-	-	118,119
Machinery and equipment	1,186,257	14,417	54,250	1,146,424
Total capital assets being depreciated	<u>6,272,116</u>	<u>1,706,340</u>	<u>54,250</u>	<u>7,924,206</u>
Less accumulated depreciation for:				
Buildings	1,834,949	129,236	-	1,964,185
Land improvements	109,756	759	-	110,515
Machinery and equipment	833,504	74,607	54,250	853,861
Total accumulated depreciation	<u>2,778,209</u>	<u>204,602</u>	<u>54,250</u>	<u>2,928,561</u>
Total capital assets being depreciated, net	<u>3,493,907</u>	<u>1,501,738</u>	<u>-</u>	<u>4,995,645</u>
Governmental activities capital assets, net	<u>\$ 4,946,186</u>	<u>1,760,032</u>	<u>1,691,923</u>	<u>5,014,295</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 173,401	-	1,038	172,363
Less accumulated depreciation	154,066	4,930	951	158,045
Business type activities capital assets, net	\$ 19,335	(4,930)	87	14,318
Governmental activities:				
Instruction:				
Regular				\$ 8,444
Other				4,000
Support services:				
Administration				279
Operation and maintenance of plant				25,835
Transportation				36,049
				<u>74,607</u>
Unallocated depreciation				129,995
Total governmental activities depreciation expense				<u>\$ 204,602</u>
Business type activities:				
Food service operations				<u>\$ 4,930</u>

(6) Long-Term Liabilities

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

	Restated Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 1,460,000	-	240,000	1,220,000	240,000
Revenue bonds	1,000,000	-	95,000	905,000	95,000
Termination benefits	19,193	72,000	19,193	72,000	19,485
Net pension liability	1,880,862	-	587,755	1,293,107	-
Net OPEB liability	91,094	21,748	-	112,842	-
Total	\$ 4,451,149	93,748	941,948	3,602,949	354,485
Business type Activities:					
Net pension liability	\$ 61,575	-	19,242	42,333	-

General Obligation Bonds

During the year ended June 30, 2014, the District approved an additional debt service tax levy to advance refund \$185,000 in principal of the April 15, 2013 general obligation bond issuance when the bonds become callable on May 1, 2018. This additional amount of debt service tax levy totaled \$180,000 which had been placed in an irrevocable escrow account and has been invested in U.S. Government obligations which have been certified sufficient to pay \$185,000 in principal of the May 1, 2020 bond payment when the bonds become callable on May 1, 2018. The District remains contingently liable in the remote possibility the escrow account is insufficient to repay the refunding bonds.

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

Year Ending June 30,	Interest Rate	Bond issue dated April 15, 2013		
		Principal	Interest	Total
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		\$ 1,220,000	35,603	1,255,603

Revenue Bonds

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

Year Ending June 30,	Interest Rate	Bond issue dated August 26, 2013		
		Principal	Interest	Total
2016	0.98	% \$ 95,000	20,209	115,209
2017	1.29	95,000	19,131	114,131
2018	1.57	95,000	17,772	112,772
2019	1.89	100,000	16,082	116,082
2020	2.24	100,000	14,016	114,016
2021-2024	2.59-3.48	420,000	27,823	447,823
Total		\$ 905,000	115,033	1,020,033

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,000,000 of bonds issued in August 2013. The bonds were issued for the purpose of financing a portion of the costs of a new wellness facility. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2024. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 37% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,020,033. For the current year, \$95,000 of principal and \$27,201 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$311,204.

Termination Benefits

During the year ended June 30, 2015, the District offered a voluntary early retirement plan to its licensed employees. The early retirement plan was offered by the District at the Board's discretion. Employees should have no expectation that the plan will be offered.

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

Licensed employees who meet the eligibility requirements were eligible for the early retirement amount of \$24,000. 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. Employees may continue participation in the District's group insurance plan until Medicare age.

At June 30, 2015, the District had obligations to three participants with a total liability of \$72,000. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$19,193.

(7) Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$177,101.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,335,440 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.032998 percent, which was a decrease of 0.001309 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$85,874. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,514	\$ -
Changes of assumptions	58,936	-
Net difference between projected and actual earnings on pension plan investments	-	509,298
Changes in proportion and differences between District contributions and proportionate share of contributions	-	60,258
District contributions subsequent to the measurement date	177,101	-
Total	\$ 250,551	\$ 569,556

\$177,101 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (124,242)
2017	(124,242)
2018	(124,242)
2019	(124,242)
2020	862
	<u>\$ (496,106)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 2,523,276	\$ 1,335,440	\$ 332,783

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$18,007 for legally required employer contributions and \$11,998 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(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. Retired 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	25,238
Interest on net OPEB obligation		2,352
Adjustment to annual required contribution		(5,842)
Annual OPEB cost		<u>21,748</u>
Contributions made		-
Increase in net OPEB obligation		<u>21,748</u>
Net OPEB obligation beginning of year		91,094
Net OPEB obligation end of year	\$	<u><u>112,842</u></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, 2015.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 24,376	17.8%	\$ 74,306
2014	18,979	11.5%	91,094
2015	21,748	0.0%	112,842

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$167,156, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$167,156. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.332 million and the ratio of the UAAL to covered payroll was 12.5%.

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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 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 \$140,033 for the year ended June 30, 2015 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, 2015 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 13,140
Returning dropout and dropout prevention	38,318
Teacher salary supplement	16,444
Student achievement and teacher quality program - market factor	3,078
Math and science education improvement	2,675
Educator quality program - market factor incentives	2,970
Four-year-old preschool state aid	7,166
Teacher leadership grants	6,239
Total	<u>\$ 90,030</u>

(12) Deficit Balances

The School Nutrition Fund had a deficit unrestricted net position of \$38,677 and a deficit total net position of \$24,359. The District’s governmental activities had a deficit unrestricted net position of \$1,459,727 at June 30, 2015.

(13) Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	557,652	423,910	239,574
Capital assets, net of accumulated depreciation	5,014,295	-	-	-
General obligation bond capitalized indebtedness	(1,220,000)	-	-	-
Revenue bond capitalized indebtedness	(905,000)	-	-	-
Accrued interest payable	-	(12,057)	-	-
Termination benefits	-	-	(72,000)	-
Income surtax	-	-	-	17,045
Net pension liability	-	-	-	(1,293,107)
Pension related deferred outflows of resources	-	-	-	241,104
Pension related deferred inflows of resources	-	-	-	(551,501)
Net OPEB liability	-	-	-	(112,842)
Net position (Exhibit A)	\$ 2,889,295	545,595	351,910	(1,459,727)

(14) Accounting Change/Restatement

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

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 3,669,859	\$ 33,956
Net pension liability at June 30, 2014	(1,880,862)	(61,575)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	190,528	6,237
Net position July 1, 2014, as restated	\$ 1,979,525	\$ (21,382)

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,904,459	100,539	3,004,998	3,345,154	3,345,154	(340,156)
Intermediate sources	3,422	-	3,422	1,000	1,000	2,422
State sources	2,167,300	1,651	2,168,951	1,902,540	1,902,540	266,411
Federal sources	138,089	124,469	262,558	261,000	261,000	1,558
Total revenues	<u>5,213,270</u>	<u>226,659</u>	<u>5,439,929</u>	<u>5,509,694</u>	<u>5,509,694</u>	<u>(69,765)</u>
Expenditures/Expenses:						
Instruction	2,956,591	-	2,956,591	3,470,986	3,470,986	514,395
Support services	1,263,420	3,920	1,267,340	1,561,500	1,561,500	294,160
Non-instructional programs	649	217,116	217,765	221,175	221,175	3,410
Other expenditures	818,351	-	818,351	863,992	930,000	111,649
Total expenditures/expenses	<u>5,039,011</u>	<u>221,036</u>	<u>5,260,047</u>	<u>6,117,653</u>	<u>6,183,661</u>	<u>923,614</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	174,259	5,623	179,882	(607,959)	(673,967)	853,849
Other financing sources, net	1,657	-	1,657	(122,201)	(122,201)	(242,745)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	175,916	5,623	181,539	(730,160)	(796,168)	611,104
Balances beginning of year, as restated	<u>1,256,938</u>	<u>(21,382)</u>	<u>1,235,556</u>	<u>1,316,127</u>	<u>1,316,127</u>	<u>(80,571)</u>
Balances end of year	<u>\$ 1,432,854</u>	<u>(15,759)</u>	<u>1,417,095</u>	<u>585,967</u>	<u>519,959</u>	<u>530,533</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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.

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, the District adopted one budget amendment, increasing budgeted expenditures by \$66,008.

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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$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%
2014	July 1, 2012	-	\$177	\$177	0.0%	\$1,589	11.1%
2015	July 1, 2012	-	\$167	\$167	0.0%	\$1,332	12.5%

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.

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

	2015
District's proportion of the net pension liability	0.032998%
District's proportionate share of the net pension liability	\$ 1,335,440
District's covered-employee payroll	\$ 1,983,220
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.34%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 177,101	196,765	178,153	174,135	156,265	144,717	145,144	133,168	122,412	118,768
Contributions in relation to the statutorily required contribution	<u>(177,101)</u>	<u>(196,765)</u>	<u>(178,153)</u>	<u>(174,135)</u>	<u>(156,265)</u>	<u>(144,717)</u>	<u>(145,144)</u>	<u>(133,168)</u>	<u>(122,412)</u>	<u>(118,768)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,983,220	2,203,415	2,054,821	2,157,807	2,248,417	2,082,259	2,285,732	2,201,124	2,128,904	2,065,530
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 420,857	23,150	444,007
Receivables:			
Property tax:			
Delinquent	3,053	-	3,053
Total assets	\$ 423,910	23,150	447,060
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	-	4,381	4,381
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Management levy purposes	423,910	-	423,910
Student activities	-	18,769	18,769
Total fund balances	423,910	18,769	442,679
Total liabilities, deferred inflows of resources and fund balances	\$ 423,910	23,150	447,060

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, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 190,231	-	190,231
Other	6,636	36,577	43,213
State sources	591	-	591
Total revenues	<u>197,458</u>	<u>36,577</u>	<u>234,035</u>
Expenditures:			
Current:			
Instruction:			
Regular	50,733	-	50,733
Other	-	36,353	36,353
Support services:			
Student	649	-	649
Instructional staff	649	-	649
Administration	10,591	-	10,591
Operation and maintenance of plant	36,139	-	36,139
Transportation	16,093	-	16,093
Non-instructional programs:			
Food service operations	649	-	649
Total expenditures	<u>115,503</u>	<u>36,353</u>	<u>151,856</u>
Change in fund balances	81,955	224	82,179
Fund balances beginning or year	<u>341,955</u>	<u>18,545</u>	<u>360,500</u>
Fund balances end of year	<u>\$ 423,910</u>	<u>18,769</u>	<u>442,679</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 108,555	74,237	182,792
Receivables:			
Property tax:			
Delinquent	-	1,733	1,733
Succeeding year	-	111,880	111,880
Income surtax	-	17,045	17,045
Due from other governments	48,394	-	48,394
Total assets	\$ 156,949	204,895	361,844
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Due to other funds	\$ 130,000	-	130,000
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	111,880	111,880
Income surtax	-	17,045	17,045
Total deferred inflows of resources	-	128,925	128,925
Fund balances:			
Restricted for:			
School infrastructure	26,949	-	26,949
Physical plant and equipment	-	75,970	75,970
Total fund balances	26,949	75,970	102,919
Total liabilities, deferred inflows of resources and fund balances	\$ 156,949	204,895	361,844

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, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	167,921	167,921
Other	241	353	594
Intermediate sources	3,422	-	3,422
State sources	311,204	335	311,539
TOTAL REVENUES	314,867	168,609	483,476
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	20,697	20,697
Adminstration	-	43,355	43,355
Operation and maintenance of plant	19,720	-	19,720
Capital outlay	258,294	44,044	302,338
TOTAL EXPENDITURES	278,014	108,096	386,110
Excess of revenues over expenditures	36,853	60,513	97,366
OTHER FINANCING USES:			
Transfer out	(122,201)	(124,736)	(246,937)
Change in fund balances	(85,348)	(64,223)	(149,571)
Fund balances beginning of year	112,297	140,193	252,490
Fund balances end of year	\$ 26,949	75,970	102,919

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama Club	\$ 174	-	174	-
Music Boosters	323	60	121	262
Track	-	530	530	-
Football	531	2,477	2,563	445
Wrestling	-	579	579	-
Volleyball	194	1,228	1,016	406
SW Valley Activities	-	401	401	-
Athletics	-	1,100	1,100	-
Basketball	610	2,901	3,511	-
Activity Tickets	-	1,480	1,035	445
Softball/Baseball	236	1,238	1,474	-
Y-teens	6,486	12,713	10,783	8,416
Secondary Student Club	60	-	60	-
Student Vending Machine	-	7,285	6,087	1,198
Science Club	227	-	227	-
Cheerleaders	29	1,560	1,309	280
Student Council	1,277	1,913	1,240	1,950
JH Boosters	13	-	-	13
Destination Image	3,361	184	1,001	2,544
Annual Staff	1,995	928	810	2,113
Elementary Club K-6	2,332	-	2,332	-
National Art Club	697	-	-	697
Total	\$ 18,545	36,577	36,353	18,769

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				
	Schroeder Scholarship	Nelson Foundation	Telephone Scholarship	Wright Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 7,844	1,768	67,380	73,735	150,727
LIABILITIES	-	-	-	-	-
NET POSITION					
Held in trust for scholarships	\$ 7,844	1,768	67,380	73,735	150,727

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				
	Schroeder Scholarship	Nelson Foundation	Telephone Scholarship	Wright Scholarship	Total
Additions:					
Local sources:					
Interest income	\$ 19	4	157	185	365
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	500	200	3,000	2,500	6,200
Change in net position	(481)	(196)	(2,843)	(2,315)	(5,835)
Net position beginning of year	8,325	1,964	70,223	76,050	156,562
Net position end of year	\$ 7,844	1,768	67,380	73,735	150,727

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,106,395	2,020,282	2,265,633	2,149,659	1,994,813	1,882,603	1,782,466	1,672,573	1,713,306	1,618,303
Tuition	565,787	644,211	84,264	56,511	90,042	42,805	82,126	133,313	78,454	58,162
Other	232,277	327,033	393,615	254,809	271,311	312,791	319,712	341,045	379,718	339,455
Intermediate sources	3,422	-	1,000	10,000	11,346	-	-	-	-	-
State sources	2,167,300	2,129,468	2,049,028	2,006,854	2,027,397	1,775,502	1,988,734	1,987,897	2,030,310	1,936,781
Federal sources	138,089	147,221	155,055	148,814	339,188	405,929	207,471	143,688	168,305	200,758
Total	\$ 5,213,270	5,268,215	4,948,595	4,626,647	4,734,097	4,419,630	4,380,509	4,278,516	4,370,093	4,153,459
Expenditures:										
Instruction:										
Regular	\$ 1,870,941	2,289,797	1,661,933	1,627,127	1,613,438	1,599,377	1,397,153	1,428,828	1,428,324	1,594,716
Special	635,794	747,289	453,710	479,201	451,865	444,757	540,996	541,847	533,797	438,880
Other	449,856	521,827	675,751	643,822	730,883	583,371	621,099	589,054	569,932	426,302
Support services:										
Student	67,457	98,831	99,283	125,571	54,609	91,846	53,177	97,079	89,149	107,231
Instructional staff	86,762	102,479	77,917	108,568	151,412	239,745	117,093	103,131	75,244	51,932
Administration	478,648	558,447	534,086	467,479	450,862	455,996	480,945	452,996	445,301	509,316
Operation and maintenance										
of plant	378,596	435,842	417,800	617,300	378,682	370,980	334,191	343,303	333,064	317,474
Transportation	251,957	383,147	143,370	179,815	154,482	268,737	152,017	218,335	230,966	222,208
Non-instructional programs:										
Food service operations	649	690	715	764	737	604	506	440	277	277
Community service and education operations	-	-	-	-	-	-	6,150	3,075	-	-
Capital outlay	302,338	1,450,589	196,201	-	64,977	113,796	92,996	101,231	106,132	93,679
Long term debt:										
Principal	335,000	235,000	1,855,000	195,000	185,000	2,340,000	155,000	140,000	135,000	130,000
Interest	40,980	13,140	72,585	80,385	87,735	217,435	227,535	235,537	243,635	200,120
Other expenditures:										
AEA flow-through	140,033	140,104	137,752	136,948	156,696	156,434	142,086	137,356	135,298	127,217
Total	\$ 5,039,011	6,977,182	6,326,103	4,661,980	4,481,378	6,883,078	4,320,944	4,392,212	4,326,119	4,219,352

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the 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, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2016.

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 a deficiency in internal control we consider to be a material weakness.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no deficiencies that we consider 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

March 23, 2016
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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.
- 8) Journal entries - writes, approves and posts journal entries to the accounting records
- 9) Long term debt - records, posts and reconciles the long term debt.
- 10) Capital assets - records and reconciles the capital asset listing.

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.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amount budgeted.
- II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Tom Williams - Board Member Owner of TAW COMP	Services	\$95

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not appear to represent a conflict of interest.

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted that the District did not specify the maximum amounts to be held in each depository in the board minutes.

Recommendation - Chapter 12C.2 of the Code of Iowa states, “The approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository.” The District should review procedures to comply with Chapter 12C.2 of the Code of Iowa.

Response – The District has reviewed the procedures to be compliance with Chapter 12C.2 of the Code of Iowa, and have made the changes to the following fiscal year.

Conclusion - Response accepted.

- II-G-15 Certified Enrollment - No variances regarding the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting data certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of the District using categorical funding to supplant rather than supplement other funds.
- II-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance		\$ 112,297
Revenues:		
Sales tax revenues	\$ 311,204	
Other local revenues	241	
Other	3,422	
	<u> </u>	<u>314,867</u>
		427,164
Expenditures:		
School infrastructure construction	\$ 233,987	
Other	44,027	
Transfers to other funds:		
Debt service	122,201	
	<u> </u>	<u>400,215</u>
Ending balance		<u><u>\$ 26,949</u></u>

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

- II-M-15 Financial Condition - The School Nutrition Fund had a deficit unrestricted net position of \$38,677 and a deficit total net position of \$24,359. The District's governmental activities had a deficit unrestricted net position of \$1,459,727 at June 30, 2015.

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

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position.

Conclusion - Response accepted.