

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
VINTON, IOWA

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

JUNE 30, 2015

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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Sue Gates	President	2017
Robert Levis	Vice President	2017
Angela Hazen	Board Member	2015
Megan Rickels	Board Member	2015
Brenda Bartz	Board Member	2015
Kathy Van Steenhuyse	Board Member	2015
Mike Timmermans	Board Member	2017
<u>School Officials</u>		
Mary Jo Hainstock	Superintendent	2018
Brenda Barkdoll	District Secretary/Treasurer and Business Manager	2015
Mark Mossman	Attorney	Indefinite

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461
317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 56 through 63 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 Vinton-Shellsburg 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 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2015 on our consideration of Vinton-Shellsburg Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Vinton-Shellsburg Community School District's internal control over financial reporting and compliance.

Hunt & Associates, P.C.

Oskaloosa, Iowa
October 14, 2015

VINTON-SHELLSBURG CSD
MANAGEMENT'S DISCUSSION AND ANALYSIS
06/30/15

This section of the Vinton-Shellsburg Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2015. This analysis will focus on the District's financial performance as a whole for the fiscal year 2015.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- ◆ General Fund revenue decreased from \$16,721,998 in fiscal year 2014 to \$16,642,021 in fiscal year 2015 while General Fund expenditures increased from \$16,698,594 in fiscal year 2014 to \$17,232,200 in fiscal year 2015.
- ◆ The decrease in General Fund revenues was attributable to less federal funding as well as in fewer enrolled students and the associated reduction in state and local funding.
- ◆ The District decreased its solvency ratio and unspent spending authority.
- ◆ The District increased its General Fund expenditures from \$16,698,594 to 17,232,200, primarily because of increases in employee benefits, salaries and special education costs.

◆ Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food service.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District Wide Statements

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

The two District-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, are one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net position are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities and student enrollment trends.

In the District-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 cost of certain services it provides. The District school nutrition program would be included here.

Fund Financial Statements

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

- ◆ 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.

Vinton-Shellsburg Community School District has three types of funds:

- ◆ **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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.
 - ◆ The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flow. The District currently has two enterprise funds, the school nutrition program and the child care program.
 - ◆ The required financial statements for proprietary funds include a statement of fund net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others. These funds include Private - purpose Trust and Agency funds.
 - ◆ **Private-Purpose Trust Fund:** The District accounts for outside donations for specific purposes 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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

Financial Analysis of the District as a Whole

Net position: Figure A-1 provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014. The district's combined net position was lower on June 30, 2015 than it was the year before, decreasing to \$10,744,668, due primarily to the effects of the implementation of GASB Statement Number 68, which requires the inclusion of the District's proportionate share of the IPERS net pension liability and associated deferred outflows and deferred inflows in the District's financial statements.

**Figure A-1
Condensed Statement of Net Position**

	Governmental		Business-type		Total		Total Percentage Change June 30, 2014-2015
	Activities June 30, 2015	2014 (Not Restated)	Activities June 30, 2015	2014 (Not Restated)	School District June 30, 2015	2014 (Not Restated)	
Current and other assets	\$18,055,120	\$23,229,161	\$28,217	\$25,165	\$18,083,337	\$23,254,326	-22.2%
Capital assets	\$20,755,838	\$19,830,207	\$111,490	\$130,003	\$20,867,328	\$19,960,210	4.5%
Total Assets	\$38,810,958	\$43,059,368	\$139,707	\$155,168	\$38,950,665	\$43,214,356	-9.9%
Deferred Outflows of Resources	\$1,431,449		\$ 42,923		\$1,474,372		100%
Long-term Liabilities	\$16,528,179	\$16,303,052	\$203,543		\$16,731,722	\$16,303,052	2.6%
Other Liabilities	\$2,738,107	\$2,151,815	\$61,213	\$58,585	\$2,799,320	\$2,210,400	26.6%
Total liabilities	\$19,266,286	\$18,454,867	\$264,756	\$58,585	\$19,531,042	\$18,513,452	5.5%
Deferred Inflows of Resources	\$10,068,825	\$7,131,087	\$80,502		\$10,149,327	\$7,131,087	42.3%
Net Position:							
Net Investment in capital assets	\$11,110,838	\$9,575,207	\$111,490	\$130,003	\$11,222,328	\$9,705,210	15.6%
Restricted	\$5,768,738	\$5,340,512			\$5,768,738	\$5,340,512	8.0%
Unrestricted	\$(5,972,280)	\$2,557,695	\$(274,118)	\$(33,420)	\$(6,246,398)	\$2,524,275	-347.5%
Total Net Position	\$10,907,296	\$17,473,414	\$(162,628)	\$96,583	\$10,744,668	\$17,569,997	-38.8%

The District's total net position decreased 38.8% or approximately \$6,825,329 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$428,226, or 8.0%, over the prior year. The increase was primarily a result of decreased expenses in the Capital Projects 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 approximately \$8,770,673, or 347.5%. This reduction in unrestricted net position was primarily a result of the district’s net pension liability 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 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 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which may be more reflective of the amounts employees earned during the year.

Figure A-2 Changes in Net Position

Change in net position: Figure A-2 shows the changes in net position for the year ending June 30, 2015.

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change Year ended 2014-2015
	Year ended June 30, 2015	2014 (Not Restated)	Year ended June 30, 2015	2014 (Not Restated)	Year ended June 30, 2015	2014 (Not Restated)	
Revenues:							
Program revenues:							
Charges for service	\$1,219,638	\$1,102,680	\$414,462	\$379,081	\$1,634,100	\$1,481,761	10.3%
Operating grants, contributions and restricted interest	\$2,817,005	\$2,884,914	\$423,940	\$374,766	\$3,240,945	\$3,259,680	-.6%
Capital grants, contributions and restricted interest	\$260,240		\$8,560		\$268,800		100%
General revenues:							
Property Tax	\$7,856,826	\$7,614,047			\$7,856,826	\$7,614,047	3.2%
Statewide sales, services, and use tax	\$1,481,300	\$1,447,864			\$1,481,300	\$1,447,864	2.3%
Unrestricted state grants	\$7,366,554	\$7,490,238			\$7,366,554	\$7,490,238	-1.7%
Unrestricted investment earnings	\$18,430	\$22,704	\$1	\$2	\$18,431	\$22,706	-18.8%
Other	\$231,101	\$102,847			\$231,101	\$102,847	124.7%
Total Revenues	\$21,251,094	\$20,665,294	\$846,963	\$753,849	\$22,098,057	\$21,419,143	3.2%
Program Expenses:							
Instruction	\$12,335,304	\$12,368,647			\$12,335,304	\$12,368,647	-.3%
Support Services	\$5,058,446	\$4,904,461			\$5,058,446	\$4,904,461	3.1%
Non-instructional programs			\$825,885	\$854,717	\$825,885	\$854,717	-3.4%
Other Expenses	\$1,831,774	\$2,255,800			\$1,831,774	\$2,225,800	-17.7%
Total Expenses	\$19,225,524	\$19,528,908	\$825,885	\$854,717	\$20,051,409	\$20,383,625	-1.6%
Change in net position	\$2,025,570	\$1,136,386	\$21,078	\$(100,868)	\$2,046,648	\$1,035,518	97.6%
Net Position beginning of year, as restated	\$8,881,726	\$16,337,028	\$(183,706)	\$197,451	\$8,698,020	\$16,534,479	-47.4%
Net Position end of year	\$10,907,296	\$17,473,414	\$(162,628)	\$96,583	\$10,744,668	\$17,569,997	-38.8%

Property tax and unrestricted state grants account for 68.9% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 86.7% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$21,251,094 and expenses were \$19,225,524. In another very difficult budget year, the District did a remarkable job of controlling expenditures to provide funds for upcoming years.

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

Figure A-3 Total Net Cost of Governmental Activities

Net Cost of Governmental Activities- figure A3

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2014	2015		2014	2015	
Instruction	\$12,368,647	\$12,335,304	-0.27%	\$9,196,338	\$9,119,802	-0.8%
Support Services	\$ 4,904,461	\$ 5,058,446	3.2%	\$4,766,031	\$4,913,525	3.1%
Non-instructional programs	--	--	--	--	--	0%
Other	\$ 2,255,800	\$ 1,831,774	-18.8%	\$1,578,945	\$895,314	-43.3%
TOTAL	\$19,528,908	\$19,225,524	-1.6%	\$ 15,541,314	\$ 14,928,641	-4.0%

- ◆ The cost financed by users of District's programs was \$1,219,638 as noted on page 20 of the financial statements.
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$2,817,005.
- ◆ Capital grants and contributions totaling \$260,240 helped finance the District's construction costs.
- ◆ The net cost of governmental activities was financed with \$9,338,126 in property and other tax, \$7,366,554 in state foundation aid and \$249,531 in other income totaling 16,954,211.

Business -Type Activities

Revenues of the District's business-type activities were \$846,963 and expenses were \$825,885.

The District's business-type activities include the School Nutrition Fund and the Child Care Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,279,234 a decrease of \$6,186,781 from last year's ending fund balance of \$13,466,015. The primary reason for the decrease in combined fund balances in fiscal 2015 was due to refinancing the bonds on school improvement projects and paying off the original bonds. At the same time, the District continued to monitor expenditures and continued to levy for cash reserve.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy was increased from 7% to 10% of regular program district cost in fiscal year 2011, increased taxes and grants resulted in increased revenues. However, enrollment decreases for several years and the result of minimal state support resulted in an overall decrease in revenues with the general fund. The decrease in revenues was coupled with the usual increase in General Fund expenditures.
- ◆ The General Fund balance decreased from \$2,989,007 to 2,407,325 for the 2014-15 fiscal year.
- ◆ The Capital Projects Fund balance increased from \$3,550,450 to \$3,793,280 for the 2014-15 fiscal year based on increased revenues from the one cent sales tax revenues and monitoring expenses.

◆ Proprietary Fund Highlights

The School Nutrition Fund and Preschool Daycare net position increased from a restated total of -\$183,706 at June 30, 2014 to -\$162,628 at June 30, 2015 primarily due to careful control of expenses.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds; budgets for the General Fund are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual revenues were approximately \$903,119 more than the total budgeted receipts, a variance of 4.2 percent. The most significant difference was that the District received more revenues from state and federal sources with less from local sources than originally budgeted. Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal year but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result, the District's certified budget should always exceed the actual expenditures during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2015, the District had invested \$20.9 million, net of accumulated depreciation of \$9.5 million, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) More detailed information about capital assets is available in the notes to the basic financial statements.

Governmental Funds account for \$20.76 million with the remainder of \$.11 million in the School Nutrition Fund, net of accumulated depreciation amounts of \$9.24 million and \$.30 million, respectively.

Figure A-4
Capital Assets, Net of Depreciation

Capital Assets (net of depreciation)- figure A4

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2014	2015	2014	2015	2014	2015	
	Land	\$ 86,215	\$ 86,215			\$ 86,215	
Construction in progress	\$ 23,553	\$ 1,065,185			\$ 23,553	\$ 1,065,185	4,423%
Improvements	\$ 447,535	\$ 430,980			\$ 447,535	\$ 430,980	-3.7%
Buildings	\$ 18,520,440	\$ 18,341,047			\$ 18,520,440	\$ 18,341,047	-1.0%
Equipment & Furniture	\$ 752,464	\$ 832,411	\$ 130,003	\$ 111,490	\$ 882,467	\$ 943,901	7.0%
TOTAL	\$ 19,830,207	\$ 20,755,838	\$ 130,003	\$ 111,490	\$ 19,960,210	\$ 20,867,328	4.5%

Long-Term Liabilities

On June 30, 2015, the District had \$9,645,000 bonded indebtedness, \$95,168 in early retirement liabilities and \$6,991,554 in pension liabilities. See figure A-5 for more detail on long-term obligations. Further details on the District's long-term liabilities are available in the notes to the basic financial statements.

**Figure A-5
Total School District**

	2014, as restated	2015	Change	
Early Retirement	\$ 103,052	\$ 95,168	\$ - 7,884	
General obligation bonds	16,200,000	9,645,000	-6,555,000	
Net Pension Liability-Gov't. Activities	9,589,287	6,788,011	-2,801,276	
Net Pension Liability – Business-type Activities	312,834	203,543	-109,291	
Totals	\$ 26,205,173	\$16,731,722	\$ -9,473,451	

Factors Bearing on the District's Future

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

- ◆ The district voters reauthorized a one-cent school infrastructure local option tax in February 2013. The revenues from the one-cent school infrastructure local option tax will be used to repay some of the general obligation bonds and interest.
- ◆ Settlements in excess of "new money" or allowable growth in state funding for contracts will have an adverse effect on the District's General Fund budget and reserve fund balance.
- ◆ Student enrollment figures remain a concern. General Fund state funding formula dollars are based on the number of students that are enrolled.

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 Brenda Barkdoll, Business Manager, Vinton-Shellsburg Community School District, 1502 C Ave., Vinton, Iowa 52349.

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Basic Financial Statements

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 9,221,206	\$ 13,181	\$ 9,234,387
Receivables:			
Property tax:			
Current year	93,093	-	93,093
Succeeding year	7,384,138	-	7,384,138
Income surtax	681,167	-	681,167
Accounts	174,214	-	174,214
Due from other governments	501,302	-	501,302
Inventories	-	15,036	15,036
Capital assets, net of accumulated depreciation (note 5)	20,755,838	111,490	20,867,328
Total assets	38,810,958	139,707	38,950,665
Deferred Outflows of Resources			
Pension related deferred outflows	1,431,449	42,923	1,474,372
Liabilities			
Accounts payable	1,040,206	274	1,040,480
Salaries and benefits payable	1,670,375	48,922	1,719,297
Unearned revenue	-	12,017	12,017
Accrued interest payable	27,526	-	27,526
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	95,168	-	95,168
Bonds payable	885,000	-	885,000
Portion due after one year:			
Bonds payable	8,760,000	-	8,760,000
Net pension liability	6,788,011	203,543	6,991,554
Total liabilities	19,266,286	264,756	19,531,042

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 7,384,138	\$ -	\$ 7,384,138
Pension related deferred inflows	2,684,687	80,502	2,765,189
Total deferred inflows of resources	<u>10,068,825</u>	<u>80,502</u>	<u>10,149,327</u>
Net Position			
Net investment in capital assets	11,110,838	111,490	11,222,328
Restricted for:			
Categorical funding	532,975	-	532,975
Debt service	195,547	-	195,547
Capital projects	2,227,890	-	2,227,890
Physical plant and equipment levy purposes	2,051,938	-	2,051,938
Management levy purposes	458,214	-	458,214
Student activities	302,174	-	302,174
Unrestricted	<u>(5,972,280)</u>	<u>(274,118)</u>	<u>(6,246,398)</u>
Total net position	<u>\$ 10,907,296</u>	<u>\$ (162,628)</u>	<u>\$ 10,744,668</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 12,335,304	\$ 1,219,638	\$ 1,995,864	\$ -
Support services:				
Student	662,834	-	127,013	-
Instructional staff	631,867	-	-	-
Administration	1,751,514	-	-	-
Operation and maintenance of plant	1,381,289	-	-	-
Transportation	630,942	-	17,908	-
	<u>5,058,446</u>	<u>-</u>	<u>144,921</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	225,019	-	-	260,240
Long-term debt interest and fiscal charges	393,800	-	-	-
AEA flowthrough	676,220	-	676,220	-
Depreciation (unallocated) *	536,735	-	-	-
	<u>1,831,774</u>	<u>-</u>	<u>676,220</u>	<u>260,240</u>
Total governmental activities	<u>19,225,524</u>	<u>1,219,638</u>	<u>2,817,005</u>	<u>260,240</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (9,119,802)	\$ -	\$ (9,119,802)
(535,821)	-	(535,821)
(631,867)	-	(631,867)
(1,751,514)	-	(1,751,514)
(1,381,289)	-	(1,381,289)
(613,034)	-	(613,034)
(4,913,525)	-	(4,913,525)
35,221	-	35,221
(393,800)	-	(393,800)
-	-	-
(536,735)	-	(536,735)
(895,314)	-	(895,314)
(14,928,641)	-	(14,928,641)

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Non-instructional programs:				
Food service operations	\$ 822,587	\$ 411,502	\$ 423,940	\$ 8,560
Daycare operations	3,298	2,960	-	-
	<u>825,885</u>	<u>414,462</u>	<u>423,940</u>	<u>8,560</u>
Total	<u>\$ 20,051,409</u>	<u>\$ 1,634,100</u>	<u>\$ 3,240,945</u>	<u>\$ 268,800</u>

General revenues:

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

Total general revenues

Change in net position

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

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ 21,415	\$ 21,415
-	(338)	(338)
-	21,077	21,077
(14,928,641)	21,077	(14,907,564)
\$ 5,899,720	\$ -	\$ 5,899,720
922,832	-	922,832
295,683	-	295,683
738,591	-	738,591
1,481,300	-	1,481,300
7,366,554	-	7,366,554
18,430	1	18,431
231,101	-	231,101
16,954,211	1	16,954,212
2,025,570	21,078	2,046,648
8,881,726	(183,706)	8,698,020
\$ 10,907,296	\$ (162,628)	\$ 10,744,668

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 3,847,054	\$ 211,104	\$ 4,306,461	\$ 856,587	\$ 9,221,206
Receivables:					
Property tax:					
Current year	71,725	11,969	3,835	5,564	93,093
Succeeding year	5,518,875	1,000,661	364,601	500,001	7,384,138
Income surtax	194,619	-	486,548	-	681,167
Accounts	173,150	-	105	959	174,214
Due from other governments	268,247	-	233,055	-	501,302
 Total assets	 <u>\$ 10,073,670</u>	 <u>\$ 1,223,734</u>	 <u>\$ 5,394,605</u>	 <u>\$ 1,363,111</u>	 <u>\$ 18,055,120</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 282,476	\$ -	\$ 750,176	\$ 7,554	\$ 1,040,206
Salaries and benefits payable	1,670,375	-	-	-	1,670,375
Total liabilities	<u>1,952,851</u>	-	<u>750,176</u>	<u>7,554</u>	<u>2,710,581</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	5,518,875	1,000,661	364,601	500,001	7,384,138
Other	194,619	-	486,548	-	681,167
Total deferred inflows of resources	<u>5,713,494</u>	<u>1,000,661</u>	<u>851,149</u>	<u>500,001</u>	<u>8,065,305</u>
Fund balances:					
Restricted for:					
Categorical funding (note 10)	532,975	-	-	-	532,975
Local grants	10,074	-	-	-	10,074
Debt service	-	223,073	-	-	223,073
School infrastructure	-	-	2,227,890	-	2,227,890
Physical plant and equipment	-	-	1,565,390	-	1,565,390
Management levy purposes	-	-	-	553,382	553,382
Student activities	-	-	-	302,174	302,174
Unassigned	1,864,276	-	-	-	1,864,276
Total fund balances	<u>2,407,325</u>	<u>223,073</u>	<u>3,793,280</u>	<u>855,556</u>	<u>7,279,234</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,073,670</u>	<u>\$ 1,223,734</u>	<u>\$ 5,394,605</u>	<u>\$ 1,363,111</u>	<u>\$ 18,055,120</u>

See notes to financial statements.

VINTON-SHELLSBURG 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		\$ 7,279,234
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		20,755,838
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		681,167
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(27,526)
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	\$ 1,431,449
	Deferred inflows of resources	<u>(2,684,687)</u> (1,253,238)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, compensated absences, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(16,528,179)</u>
Net position of governmental activities		<u>\$ 10,907,296</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

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

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 5,650,163	\$ 922,832	\$ 731,771	\$ 423,992	\$ 7,728,758
Tuition	472,067	-	-	-	472,067
Other	318,768	14,843	433,033	446,785	1,213,429
State sources	9,477,762	6,579	1,483,408	3,050	10,970,799
Federal sources	723,261	-	-	-	723,261
Total revenues	<u>16,642,021</u>	<u>944,254</u>	<u>2,648,212</u>	<u>873,827</u>	<u>21,108,314</u>
Expenditures:					
Current:					
Instruction	12,023,543	-	30,314	698,793	12,752,650
Support services:					
Student	685,765	-	-	-	685,765
Instructional staff	416,074	-	227,383	-	643,457
Administration	1,599,582	-	209,674	-	1,809,256
Operation and maintenance of plant	1,312,142	-	7,890	79,731	1,399,763
Transportation	518,874	-	197,662	16,486	733,022
	<u>4,532,437</u>	<u>-</u>	<u>642,609</u>	<u>96,217</u>	<u>5,271,263</u>
Other expenditures:					
Facilities acquisition	-	-	1,615,545	-	1,615,545
Long term debt:					
Principal	-	6,555,000	-	-	6,555,000
Interest and fiscal charges	-	439,129	-	-	439,129
AEA flowthrough	676,220	-	-	-	676,220
	<u>676,220</u>	<u>6,994,129</u>	<u>1,615,545</u>	<u>-</u>	<u>9,285,894</u>
Total expenditures	<u>17,232,200</u>	<u>6,994,129</u>	<u>2,288,468</u>	<u>795,010</u>	<u>27,309,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(590,179)</u>	<u>(6,049,875)</u>	<u>359,744</u>	<u>78,817</u>	<u>(6,201,493)</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 8,497	\$ -	\$ 6,215	\$ -	\$ 14,712
Interfund transfers in (note 3)	-	123,129	-	-	123,129
Interfund transfers out (note 3)	-	-	(123,129)	-	(123,129)
Total other financing sources (uses)	<u>8,497</u>	<u>123,129</u>	<u>(116,914)</u>	<u>-</u>	<u>14,712</u>
Net change in fund balances	(581,682)	(5,926,746)	242,830	78,817	(6,186,781)
Fund balances beginning of year	<u>2,989,007</u>	<u>6,149,819</u>	<u>3,550,450</u>	<u>776,739</u>	<u>13,466,015</u>
Fund balances end of year	<u>\$ 2,407,325</u>	<u>\$ 223,073</u>	<u>\$ 3,793,280</u>	<u>\$ 855,556</u>	<u>\$ 7,279,234</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (6,186,781)

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

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

	Capital outlays	\$ 1,611,728	
	Depreciation expense	<u>(686,097)</u>	925,631

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 128,068

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 6,555,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 45,329

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. 60,507

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

	Early retirement	7,884	
	Pension expense	<u>489,932</u>	<u>497,816</u>

Change in net position of governmental activities \$ 2,025,570

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	School Nutrition	Nonmajor Enterprise	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,236	\$ 2,945	\$ 13,181
Inventories	15,036	-	15,036
Total current assets	<u>25,272</u>	<u>2,945</u>	<u>28,217</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation (note 5)	111,490	-	111,490
Total assets	<u>136,762</u>	<u>2,945</u>	<u>139,707</u>
Deferred Outflows of Resources			
Pension related deferred outflows	42,923	-	42,923
Liabilities			
Current liabilities:			
Accounts payable	274	-	274
Salaries and benefits payable	48,884	38	48,922
Unearned revenue	12,017	-	12,017
Total current liabilities	<u>61,175</u>	<u>38</u>	<u>61,213</u>
Noncurrent liabilities:			
Net pension liability (note 6)	203,543	-	203,543
Total liabilities	<u>264,718</u>	<u>38</u>	<u>264,756</u>
Deferred Inflows of Resources			
Pension related deferred inflows	80,502	-	80,502
Fund Net Position			
Net investment in capital assets	111,490	-	111,490
Unrestricted	<u>(277,025)</u>	<u>2,907</u>	<u>(274,118)</u>
Total fund net position	<u>\$ (165,535)</u>	<u>\$ 2,907</u>	<u>\$ (162,628)</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

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

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 411,502	\$ 2,960	\$ 414,462
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	274,610	-	274,610
Benefits	113,254	-	113,254
Purchased services	14,558	-	14,558
Supplies	393,092	-	393,092
Depreciation	27,073	-	27,073
Total operating expenses	<u>822,587</u>	<u>-</u>	<u>822,587</u>
Other enterprise operations:			
Salaries	-	2,799	2,799
Benefits	-	464	464
Supplies	-	35	35
	<u>-</u>	<u>3,298</u>	<u>3,298</u>
Total expenses	<u>822,587</u>	<u>3,298</u>	<u>825,885</u>
Operating loss	(411,085)	(338)	(411,423)
Non-operating revenues:			
Capital contributions	8,560	-	8,560
Interest on investments	1	-	1
State sources	6,919	-	6,919
Federal sources	417,021	-	417,021
Total non-operating revenues	<u>432,501</u>	<u>-</u>	<u>432,501</u>
Change in fund net position	21,416	(338)	21,078
Fund net position beginning of year, as restated (note 12)	<u>(186,951)</u>	<u>3,245</u>	<u>(183,706)</u>
Fund net position end of year	<u>\$ (165,535)</u>	<u>\$ 2,907</u>	<u>\$ (162,628)</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

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

	School Nutrition	Nonmajor Enterprise	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 408,985	\$ -	\$ 408,985
Cash received from miscellaneous operating activities	4,283	2,960	7,243
Cash paid to employees for services	(425,369)	(4,055)	(429,424)
Cash paid to suppliers for goods or services	(359,069)	(35)	(359,104)
Net cash used by operating activities	<u>(371,170)</u>	<u>(1,130)</u>	<u>(372,300)</u>
Cash flows from non-capital financing activities:			
Interfund loans received	50,000	-	50,000
Interfund loans repaid	(50,000)	-	(50,000)
State grants received	6,919	-	6,919
Federal grants received	363,606	-	363,606
Net cash provided by non-capital financing activities	<u>370,525</u>	<u>-</u>	<u>370,525</u>
Cash flows from investing activities:			
Interest on investments	<u>1</u>	<u>-</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	(644)	(1,130)	(1,774)
Cash and cash equivalents beginning of year	<u>10,880</u>	<u>4,075</u>	<u>14,955</u>
Cash and cash equivalents end of year	<u>\$ 10,236</u>	<u>\$ 2,945</u>	<u>\$ 13,181</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

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

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (411,085)	\$ (338)	\$ (411,423)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	27,073	-	27,073
Commodities used	53,415	-	53,415
Decrease in accounts receivable	32	-	32
(Increase) in inventories	(4,858)	-	(4,858)
Increase in accounts payable	24	-	24
Increase (decrease) in salaries and benefits payable	1,662	(792)	870
Increase in unearned revenue	1,734	-	1,734
Decrease in net pension liability	(109,291)		(109,291)
Increase in deferred outflows of resources	(10,378)		(10,378)
Increase in deferred inflows of resources	80,502	-	80,502
Net cash used by operating activities	\$ <u>(371,170)</u>	\$ <u>(1,130)</u>	\$ <u>(372,300)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received \$53,415 of federal commodities. The District's Enterprise Fund, School Nutrition also received equipment valued at \$8,560 from the Capital Projects Fund, Physical Plant and Equipment Levy Fund.

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2015

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>96,347</u>
Liabilities:	
Accounts payable	<u>61</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>96,286</u></u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2015

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 113,368	
Deductions:		
Support services:		
Scholarships awarded		<u>118,074</u>
Change in fiduciary net position		(4,706)
Fiduciary net position beginning of year		<u>100,992</u>
Fiduciary net position end of year	\$	<u><u>96,286</u></u>
See notes to financial statements.		

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

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

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, 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 nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	150,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The District had no compensated absences liability at June 30, 2015.

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

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

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u><u>8,637,785</u></u>

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>123,129</u>

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

Note 4. Short-term Financing

On November 10, 2014, the District's Capital Projects Fund, Physical Plant and Equipment Account loaned \$50,000 to the Enterprise, School Nutrition Fund. The loan did not contain an interest provision due to extremely low interest rates on bank deposits. The loan was repaid on June 30, 2015.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 86,215	\$ -	\$ -	\$ 86,215
Construction in progress	23,553	1,323,198	281,566	1,065,185
Total capital assets not being depreciated	<u>109,768</u>	<u>1,323,198</u>	<u>281,566</u>	<u>1,151,400</u>
Capital assets being depreciated:				
Buildings	25,747,794	328,131	-	26,075,925
Improvements other than buildings	931,506	14,779	-	946,285
Furniture and equipment	1,772,553	227,186	170,331	1,829,408
Total capital assets being depreciated	<u>28,451,853</u>	<u>570,096</u>	<u>170,331</u>	<u>28,851,618</u>
Less accumulated depreciation for:				
Buildings	7,227,354	507,524	-	7,734,878
Improvements other than buildings	483,971	31,334	-	515,305
Furniture and equipment	1,020,089	147,239	170,331	996,997
Total accumulated depreciation	<u>8,731,414</u>	<u>686,097</u>	<u>170,331</u>	<u>9,247,180</u>
Total capital assets being depreciated, net	<u>19,720,439</u>	<u>(116,001)</u>	<u>-</u>	<u>19,604,438</u>
Governmental activities capital assets, net	<u>\$ 19,830,207</u>	<u>\$ 1,207,197</u>	<u>\$ 281,566</u>	<u>\$ 20,755,838</u>
Business-type activities:				
Furniture and equipment	\$ 407,003	\$ 8,560	\$ -	\$ 415,563
Less accumulated depreciation	277,000	27,073	-	304,073
Business-type activities capital assets, net	<u>\$ 130,003</u>	<u>\$ (18,513)</u>	<u>\$ -</u>	<u>\$ 111,490</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 12,008

Support services:

Administration 11,141

Operation and maintenance of plant 10,911

Transportation 115,302

149,362

Unallocated depreciation 536,735

Total depreciation expense - governmental activities \$ 686,097

Business-type activities:

Food service operations \$ 27,073

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Long-Term Liabilities

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

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 103,052	\$ 95,168	\$ 103,052	\$ 95,168	\$ 95,168
General obligation bonds	16,200,000	-	6,555,000	9,645,000	885,000
Net pension liability	9,589,287	-	2,801,276	6,788,011	-
Total	\$ 25,892,339	\$ 95,168	\$ 9,459,328	\$ 16,528,179	\$ 980,168
Business-type activities:					
Net pension liability	\$ 312,834	-	\$ 109,291	\$ 203,543	-

Early Retirement

The District offered a voluntary early retirement plan to all District employees for the year ended June 30, 2015. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees had to complete an application which was required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to 40% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. The employee may also continue participation in the District's group health insurance, at the employee's own cost.

At June 30, 2015, the District had obligations to four participants with a total liability of \$95,168. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$103,052. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

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

Year Ending June 30,	Issue dated December 27, 2012			
	Interest Rates	Principal	Interest	Total
2016	2.000 %	\$ 885,000	\$ 165,158	\$ 1,050,158
2017	2.000	910,000	147,459	1,057,459
2018	2.000	925,000	129,259	1,054,259
2019	2.000	945,000	110,758	1,055,758
2020	1.125	965,000	91,859	1,056,859
2021	1.250	975,000	81,002	1,056,002
2022	1.500	985,000	68,815	1,053,815
2023	1.600	1,000,000	54,040	1,054,040
2024	1.700	1,020,000	38,040	1,058,040
2025	2.000	1,035,000	20,700	1,055,700
		<u>\$ 9,645,000</u>	<u>\$ 907,090</u>	<u>\$ 10,552,090</u>

Note 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 informational 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.)

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

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 \$1,089,834.

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 \$6,991,554 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.1762915 percent, which was an increase of 0.003831 from its proportion measured as of June 30, 2013.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$500,213. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 75,985	\$ -
Changes of assumptions	308,553	-
Net difference between projected and actual earnings on pension plan investments	-	2,666,377
Changes in proportion and differences between District contributions and proportionate share of contributions	-	98,812
District contributions subsequent to the measurement date	<u>1,089,834</u>	<u>-</u>
Total	<u>\$ 1,474,372</u>	<u>\$ 2,765,189</u>

\$1,089,834 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending June 30,
2016	\$ (599,836)
2017	(599,836)
2018	(599,836)
2019	(599,836)
2020	<u>18,693</u>
Total	<u>\$ (2,380,651)</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

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

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

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

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

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

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	\$ 13,210,345	\$ 6,991,554	\$ 1,742,250

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.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$676,220 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Returning dropouts and dropout prevention programs	\$ 200,564
Teacher salary supplement	126,834
Gifted and talented programs	111,621
Professional development	31,591
Successful progression for early readers	23,115
At-risk programs	16,957
Professional development for model core curriculum	9,006
Home school assistance program	7,147
Limited English proficiency	5,440
Governor's advisory council STEM programs	<u>700</u>
 Total	 \$ <u><u>532,975</u></u>

Note 11. Construction Commitments

The District has entered into various contracts totaling \$1,219,678 for athletic complex improvements. As of June 30, 2015, costs of \$1,032,873 had been incurred against the contracts. The balance of \$186,805 remaining at June 30, 2015 will be paid as work on the project progresses.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 12. Accounting Change/Restatement

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Enterprise Fund, School Nutrition</u>
Net position June 30, 2014, as previously reported	\$ 17,473,414	\$ 96,583	\$ 93,338
Net pension liability at June 30, 2014	(9,589,287)	(312,834)	(312,834)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>997,599</u>	<u>32,545</u>	<u>32,545</u>
Net position July 1, 2014, as restated	<u>\$ 8,881,726</u>	<u>\$ (183,706)</u>	<u>\$ (186,951)</u>

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Required Supplementary Information

VINTON-SHELLSBURG 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	Budgeted Amounts		Final to
	Funds - Actual	Fund - Actual	Actual	Original	Final	Actual Variance
REVENUES:						
Local sources	\$ 9,414,254	\$ 423,023	\$ 9,837,277	\$ 10,515,639	\$ 10,515,639	\$ (678,362)
State sources	10,970,799	6,919	10,977,718	9,534,052	9,534,052	1,443,666
Federal sources	723,261	417,021	1,140,282	1,002,467	1,002,467	137,815
Total revenues	21,108,314	846,963	21,955,277	21,052,158	21,052,158	903,119
EXPENDITURES/EXPENSES:						
Instruction	12,752,650	-	12,752,650	12,636,032	13,167,245	414,595
Support services	5,271,263	-	5,271,263	5,188,841	5,402,219	130,956
Non-instructional programs	-	825,885	825,885	878,000	878,000	52,115
Other expenditures	9,285,894	-	9,285,894	8,388,256	9,462,569	176,675
Total expenditures/expenses	27,309,807	825,885	28,135,692	27,091,129	28,910,033	774,341
Excess (deficiency) of revenues over (under) expenditures/ expenses	(6,201,493)	21,078	(6,180,415)	(6,038,971)	(7,857,875)	1,677,460
Other financing sources, net	14,712	-	14,712	-	-	14,712
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(6,186,781)	21,078	(6,165,703)	(6,038,971)	(7,857,875)	1,692,172
Balance beginning of year, as restated	13,466,015	(183,706)	13,282,309	13,127,278	13,127,278	155,031
Balance end of year	\$ <u>7,279,234</u>	\$ <u>(162,628)</u>	\$ <u>7,116,606</u>	\$ <u>7,088,307</u>	\$ <u>5,269,403</u>	\$ <u>1,847,203</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2015

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$1,818,904.

During the year ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

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

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

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.1762915
District's proportionate share of the net pension liability	\$ 6,991
District's covered-employee payroll	\$ 12,204
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.3%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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

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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

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

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 1,090	\$ 1,030	\$ 979	\$ 903
Contributions in relation to the statutorily required contribution	<u>1,090</u>	<u>1,030</u>	<u>979</u>	<u>903</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 12,204	\$ 11,536	\$ 11,294	\$ 11,192
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 799	\$ 763	\$ 706	\$ 646	\$ 591	\$ 571
<u>799</u>	<u>763</u>	<u>706</u>	<u>646</u>	<u>591</u>	<u>571</u>
<u>\$ -</u>					
\$ 11,491	\$ 11,474	\$ 11,122	\$ 10,685	\$ 10,280	\$ 9,924
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

VINTON-SHELLSBURG 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.

VINTON-SHELLSBURG 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.

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Supplementary Information

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 547,818	\$ 308,769	\$ 856,587
Receivables:			
Property tax:			
Current year	5,564	-	5,564
Succeeding year	500,001	-	500,001
Accounts	-	959	959
Total assets	<u>\$ 1,053,383</u>	<u>\$ 309,728</u>	<u>\$ 1,363,111</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 7,554	\$ 7,554
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	500,001	-	500,001
Fund balances:			
Restricted for:			
Management levy purposes	553,382	-	553,382
Student activities	-	302,174	302,174
Total fund balances	<u>553,382</u>	<u>302,174</u>	<u>855,556</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,053,383</u>	<u>\$ 309,728</u>	<u>\$ 1,363,111</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

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

	<u>Special Revenue</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
Revenues:			
Local sources:			
Local tax	\$ 423,992	\$ -	\$ 423,992
Other	18,230	428,555	446,785
State sources	3,050	-	3,050
Total revenues	<u>445,272</u>	<u>428,555</u>	<u>873,827</u>
Expenditures:			
Current:			
Instruction	266,629	432,164	698,793
Support services:			
Operation and maintenance of plant	79,731	-	79,731
Transportation	16,486	-	16,486
Total expenditures	<u>362,846</u>	<u>432,164</u>	<u>795,010</u>
Excess (deficiency) of revenues over (under) expenditures	82,426	(3,609)	78,817
Net change in fund balances	82,426	(3,609)	78,817
Fund balances beginning of year	<u>470,956</u>	<u>305,783</u>	<u>776,739</u>
Fund balances end of year	<u>\$ 553,382</u>	<u>\$ 302,174</u>	<u>\$ 855,556</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 2,745,011	\$ 1,561,450	\$ 4,306,461
Receivables:			
Property tax:			
Current year	-	3,835	3,835
Succeeding year	-	364,601	364,601
Income surtax	-	486,548	486,548
Accounts	-	105	105
Due from other governments	<u>233,055</u>	<u>-</u>	<u>233,055</u>
 Total assets	 <u>\$ 2,978,066</u>	 <u>\$ 2,416,539</u>	 <u>\$ 5,394,605</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	<u>\$ 750,176</u>	<u>\$ -</u>	<u>\$ 750,176</u>
 Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	364,601	364,601
Other	-	486,548	486,548
	<u>-</u>	<u>851,149</u>	<u>851,149</u>
 Fund balances:			
Restricted for:			
School infrastructure	2,227,890	-	2,227,890
Physical plant and equipment	-	1,565,390	1,565,390
Total fund balances	<u>2,227,890</u>	<u>1,565,390</u>	<u>3,793,280</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 2,978,066</u>	 <u>\$ 2,416,539</u>	 <u>\$ 5,394,605</u>

See accompanying independent auditor's report.

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

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 731,771	\$ 731,771
Other	104,266	328,767	433,033
State sources	1,481,300	2,108	1,483,408
Total revenues	<u>1,585,566</u>	<u>1,062,646</u>	<u>2,648,212</u>
Expenditures:			
Current:			
Instruction	24,477	5,837	30,314
Support services:			
Instructional staff	225,234	2,149	227,383
Administration	47,159	162,515	209,674
Operation and maintenance of plant	-	7,890	7,890
Transportation	-	197,662	197,662
Other expenditures:			
Facilities acquisition	1,287,253	328,292	1,615,545
Total expenditures	<u>1,584,123</u>	<u>704,345</u>	<u>2,288,468</u>
Excess (deficiency) of revenues over (under) expenditures	1,443	358,301	359,744
Other financing sources (uses):			
Sale of equipment	-	6,215	6,215
Interfund transfers out	(123,129)	-	(123,129)
Total other financing sources (uses)	<u>(123,129)</u>	<u>6,215</u>	<u>(116,914)</u>
Net change in fund balances	(121,686)	364,516	242,830
Fund balances beginning of year	<u>2,349,576</u>	<u>1,200,874</u>	<u>3,550,450</u>
Fund balances end of year	<u>\$ 2,227,890</u>	<u>\$ 1,565,390</u>	<u>\$ 3,793,280</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
General Athletics	\$ 30,281	\$ 19,973	\$ 24,906	\$ 25,348
Life Skills-Sp Ed	652	23	-	675
Activity Bus	337	-	-	337
Health Fund	10,671	-	10,671	-
Interest	(1,329)	2,623	1,294	-
Boys Basketball	10,256	10,896	10,122	11,030
Coach Basketball Fund	10,598	8,175	9,533	9,240
Boys Football	786	16,531	14,408	2,909
Youth Football Fund	132	-	-	132
Coach Football Fund	16,481	17,961	17,017	17,425
Boys Soccer	(5)	2,108	2,048	55
Coach Soccer Fund	3,370	2,768	1,797	4,341
Boys Baseball	-	7,050	6,750	300
Coach Baseball Fund	6,866	2,756	4,554	5,068
Boys Track	2,224	6,657	3,935	4,946
Coach Boys Track Fund	2,460	6,362	7,006	1,816
Boys Cross Country	-	1,831	1,524	307
Coach Cross Country Fund	2,067	9,368	8,600	2,835
Boys Golf	-	1,386	595	791
Coach Golf Fund	1,982	1,200	2,773	409
Boys Swimming	470	288	510	248
Coach Swimming Fund	797	2,771	2,982	586
Bowling	88	2,318	1,220	1,186
Bowling Coach	2,997	4,044	3,129	3,912
Boys Wrestling	7,669	5,197	4,908	7,958
Coach Wrestling Fund	7,118	5,764	11,926	956
Girls Basketball	6,366	10,541	12,097	4,810
Coach Girls Basketball	2,027	4,373	4,585	1,815
Girls Volleyball	9,301	8,597	8,600	9,298
MS Girls Volleyball	334	2,425	-	2,759
Coach Girls Volleyball	620	8,454	6,681	2,393
Girls Soccer	-	2,341	2,286	55
Coach Girls Soccer	1,114	1,728	2,842	-
Girls Softball	(100)	4,899	4,799	-
Coach Girls Softball	9,133	12,105	10,892	10,346
Girls Track	1,658	4,734	2,758	3,634
Coach Girls Track	3,605	11,029	11,177	3,457
Girls Golf	-	1,197	1,197	-
Coach Girls Golf	603	2,770	2,652	721
Girls Swimming	2,124	1,249	736	2,637

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Coach Girls Swimming	\$ 1,197	\$ 457	\$ 471	\$ 1,183
MS Yearbook	659	2,346	1,480	1,525
MS Band	11,787	1,878	-	13,665
MS Magazine	6,189	2,524	2,315	6,398
MS Pop	2,435	1,153	3,587	1
MS Student Council	4,123	113	262	3,974
MS Picture	3,033	792	-	3,825
Shellsburg Special Needs	652	-	-	652
HS Life Skills	1,428	-	-	1,428
Special Olympics	2,260	100	-	2,360
HS Yearbook	919	1,783	2,702	-
Weight Room HS	648	-	131	517
HS Pop	2,807	1,243	4,050	-
HS Student Council	2,708	3,042	3,137	2,613
HS Picture	966	324	-	1,290
Contest Speech	5,158	4,499	6,196	3,461
Shellsburg Picture	6,062	648	440	6,270
Activity Sales HS	1,319	250	-	1,569
Shellsburg Yearbook	953	1,214	1,140	1,027
Band	10,610	13,455	12,372	11,693
Band Trip HS	6,127	-	346	5,781
Concession Account	782	-	-	782
Shellsburg Pop	-	1,051	1,051	-
Vending Machine	364	-	-	364
Drill Team	2,467	9,496	11,343	620
Act Tickets	1,575	-	-	1,575
FFA	14,349	50,637	53,176	11,810
FHA	306	-	132	174
HS Home Economics	317	-	-	317
Fine Arts Sponsors	34	-	-	34
MS Health Account	1,076	84	-	1,160
Ambassador Club	394	-	-	394
National Honor Society	2,996	3,038	3,365	2,669
Business Professionals	342	-	-	342
Science Club	2,596	-	-	2,596
Shellsburg Student Council	4,948	1,046	1,691	4,303
Tilford Picture	1,247	8,546	6,910	2,883
SADD Fund	311	-	-	311
Theatre Fund	1,772	4,807	6,332	247
Invention Convention	330	-	-	330

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Recycling Club	\$ 101	\$ -	\$ -	\$ 101
Vocal	1,160	5,000	3,091	3,069
Coach Speech	-	712	712	-
Activity Guidance	43	-	-	43
HS Special Projects	2,738	-	-	2,738
Amateur Radio	1,381	-	-	1,381
Shooting Sports	13,564	22,511	21,336	14,739
Family Cons. Science	215	22	-	237
FCCLA	428	-	-	428
Cheerleader Fund	3,645	8,569	5,700	6,514
Class of 2011	1,817	-	-	1,817
Class of 2012	(130)	130	-	-
Class of 2013	1,098	-	-	1,098
Class of 2014	1,059	-	-	1,059
Class of 2015	(18)	145	-	127
Class of 2016	(56)	56	-	-
Football Touchdown Club	1,951	648	959	1,640
Alternative High School Yearbooks	149	-	-	149
Alternative High School Fundraisers	227	212	439	-
Middle School Plays	1,084	1,876	1,221	1,739
Shellsburg Fundraisers	147	250	322	75
Vinton Popcorn Fundraiser	1,768	5,262	5,014	2,016
Student Alt High School Activities	223	-	-	223
Elementary Art Fundraiser	1,846	1,995	127	3,714
Shellsburg Band Fund	51	311	362	-
AYSO Soccer Club	523	-	173	350
Reality Check Advocacy Group	77	-	-	77
Car Wash/Detail Fund	342	822	461	703
High School Vocal	5,174	9,059	10,594	3,639
Shellsburg Vocal	122	-	-	122
Middle School Vocal	3,055	2,197	2,549	2,703
Operation Backpack	-	10,926	10,568	358
Music Department - Trip Account	-	18,253	14,128	4,125
Student Sport Equipment	-	9,449	8,269	1,180
Robotics Club	-	1,132	-	1,132
Total	\$ 305,783	\$ 428,555	\$ 432,164	\$ 302,174

See accompanying independent auditor's report.

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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 7,728,758	\$ 7,592,941	\$ 8,662,673	\$ 8,310,819
Tuition	472,067	462,131	401,864	278,580
Other	1,213,429	759,823	737,324	644,390
State sources	10,970,799	11,206,913	9,512,111	10,094,266
Federal sources	723,261	614,293	856,988	814,966
Total revenues	<u>\$ 21,108,314</u>	<u>\$ 20,636,101</u>	<u>\$ 20,170,960</u>	<u>\$ 20,143,021</u>
Expenditures:				
Instruction	\$ 12,752,650	\$ 12,343,778	\$ 12,029,729	\$ 11,718,329
Support services:				
Student	685,765	642,384	602,025	539,945
Instructional staff	643,457	865,418	1,180,795	1,048,773
Administration	1,809,256	1,383,516	1,365,467	1,267,861
Operation and maintenance of plant	1,399,763	1,359,404	1,315,453	1,195,891
Transportation	733,022	895,090	571,837	657,087
Other expenditures:				
Facilities acquisition	1,615,545	601,957	292,440	736,198
Long-term debt:				
Principal	6,555,000	4,515,000	690,000	660,000
Interest and fiscal charges	439,129	623,159	655,038	510,688
AEA flowthrough	676,220	676,805	658,191	661,699
Total expenditures	<u>\$ 27,309,807</u>	<u>\$ 23,906,511</u>	<u>\$ 19,360,975</u>	<u>\$ 18,996,471</u>

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	7,814,753	\$ 6,988,370	\$ 6,728,229	\$ 6,407,663	\$ 6,402,129	\$ 6,136,279
	303,757	316,278	320,875	361,532	324,784	393,121
	671,882	598,625	858,279	925,172	1,378,600	1,179,174
	10,192,095	8,532,347	9,896,558	9,854,962	9,260,071	8,991,721
	1,119,403	1,541,350	589,348	557,670	768,620	550,651
\$	<u>20,101,890</u>	<u>17,976,970</u>	<u>18,393,289</u>	<u>18,106,999</u>	<u>18,134,204</u>	<u>17,250,946</u>
\$	11,885,681	\$ 12,192,285	\$ 11,800,596	\$ 11,120,276	\$ 10,427,532	\$ 9,933,530
	439,994	322,312	465,574	449,179	418,421	479,765
	717,829	504,834	597,660	572,423	614,661	617,870
	1,279,293	1,232,619	1,370,879	1,429,175	1,452,973	1,370,228
	1,210,897	1,121,282	1,137,812	1,183,416	1,079,024	1,122,833
	590,961	640,894	665,334	554,570	476,995	547,388
	338,127	242,563	271,861	3,219,495	9,729,098	4,650,153
	635,000	610,000	595,000	570,000	700,000	570,000
	536,913	562,100	586,688	609,750	638,158	759,328
	736,988	709,635	663,597	630,193	601,807	577,210
\$	<u>18,371,683</u>	<u>18,138,524</u>	<u>18,155,001</u>	<u>20,338,477</u>	<u>26,138,669</u>	<u>20,628,305</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2015

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Direct:			
U. S. Department of Health and Human Services: Drug-Free Communities Support Program Grants	93.276	5H79S PO18465-03	\$ <u>127,013</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: Child Nutrition Cluster Programs: School Breakfast Program	10.553	6660-15	65,956
National School Lunch Program	10.555	6660-15	<u>351,065</u>
			<u>417,021</u>
U. S. Department of Education: Iowa Department of Education: Title I Grants to Local Educational Agencies	84.010	6660G15	204,627
Title I Grants to Local Educational Agencies	84.010	6660-SINA	<u>20,180</u>
			<u>224,807</u>
Improving Teacher Quality State Grants	84.367	6660-15	<u>65,050</u>
Grants for State Assessments and Related Activities	84.369	6660-15	<u>7,505</u>
Grant Wood Area Education Agency: Special Education - Grants to States	84.027	6660-15	<u>73,354</u>
Career and Technical Education - Basic Grants to States	84.048	6660-15	<u>5,808</u>
Investing in Innovation Fund	84.411	6660-15	<u>35,469</u>
Total Indirect			<u>829,014</u>
Total			\$ <u><u>956,027</u></u>

* = Includes \$53,415 of non-cash awards.

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Vinton-Shellsburg Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461
317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

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

To the Board of Education of
Vinton-Shellsburg Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Vinton-Shellsburg 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 October 14, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purposes described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 and II-B-15, that we consider to be significant deficiencies.

Compliance

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

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.

Vinton-Shellsburg Community School District's Responses to the Findings

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

Purpose of this Report

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

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

Hunt & Associates, P.C.

Oskaloosa, Iowa
October 14, 2015

DOUGLAS T. HUNT, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of
Vinton-Shellsburg Community School District:

Report on Compliance for Each Major Federal Program

We have audited Vinton-Shellsburg Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Vinton-Shellsburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Vinton-Shellsburg Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vinton-Shellsburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal program. However, our audit does not provide a legal determination of Vinton-Shellsburg Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Vinton-Shellsburg Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

In planning and performing our audit of compliance, we considered Vinton-Shellsburg Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vinton-Shellsburg Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hunt + Associates, P.C.

Oskaloosa, Iowa
October 14, 2015

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on all opinion units.
- (b) Significant deficiencies in internal control over financial reporting were reported.
- (c) The audit did not report any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were reported.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Vinton-Shellsburg Community School District did not qualify as a low-risk auditee.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-15 Fundraisers – We noted in our testing of Special Revenue, Student Activity Fund fundraisers that incomplete fundraiser reconciliations were prepared by the activity sponsors.

Recommendation – The District should adopt and enforce a policy which requires a fundraiser reconciliation to be completed by sponsors for all fundraisers. This reconciliation should tie total sales receipts to the related bank deposits and reconcile receipts to the related disbursements. This would help to determine if the fundraiser met the expected profit margin and to ensure all sales money has been collected and deposited.

Response – We will consider implementing these recommended fundraiser procedures in the Activity Fund.

Conclusion – Response accepted.

- II-B-15 School Nutrition Fund Capital Assets – We noted in our testing of the District’s Enterprise Fund, School Nutrition that the capital asset and related depreciation accounts had not been adjusted by the District. In addition, the inventory account had not been adjusted to account for the balance change. The necessary adjustments were subsequently made by the District and the adjustments were not material to the basic financial statements.

Recommendation – Part of preparing the year end financial statements involves scanning for and recognition of expenses made that are more properly capitalized as equipment under District policies. This also involves understanding the depreciation process and making the necessary adjusting journal entries to account for depreciation expense. The District should implement procedures that insure that all necessary expenses are properly capitalized. The District should also develop procedures that enable accurate depreciation calculations to insure that the financial position of the School Nutrition Fund is accurately reflected at year end.

Response – This is a learning process. We knew the entries required had initially not been entered into the year end financial statements and were just awaiting confirmation of the appropriateness of those entries we had developed. We will calculate and enter all proper capital asset adjustments required for the School Nutrition Fund for future financial statements.

Conclusion – Response accepted.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, did not exceed the amounts budgeted.
- IV-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-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.
- IV-D-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Timmermans, Board Member	Track worker	\$80
Robert Levis, Board Member	Coach	\$2,500
Nancy Levis, Spouse of Board Member Robert Levis	Teacher associate	\$12,416
David Gates, Spouse of Board President Sue Gates	Bus driver	\$11,838

In accordance with Chapter 279.7A of the Code of Iowa, except for the contracts with the spouses of Board President Gates and former Board Member Wiley, the above transactions do not appear to represent conflicts of interest since the cumulative amount did not exceed \$2,500 for the fiscal year for each person. The contracts with the spouses of the Board Members do not represent conflicts of interest based on an attorney general’s opinion dated October, 1976.

- IV-E-15 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-15 Supplementary Weighting – We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting was overstated by .034 students.

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

IV-H-15 Supplementary Weighting (continued)

Response – We will contract the Iowa Department of Education and Iowa Department of Management to resolve this matter.

Conclusion – Response accepted.

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

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

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

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

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

Beginning balance		\$ 2,349,576
Revenues:		
Interest	\$ 126	
Other local revenues	104,140	
Statewide sales, services and use tax	<u>1,481,300</u>	1,585,566
Expenditures/transfers out:		
School infrastructure construction	1,287,253	
Equipment	296,870	
Transfers to other funds:		
Debt Service Fund	<u>123,129</u>	<u>1,707,252</u>
Ending balance		<u>\$ 2,227,890</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.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

IV-M-15 Financial Condition – We noted that the Enterprise Fund, School Nutrition had a deficit unrestricted net position balance at June 30, 2015 of \$277,025. The District’s business-type activities reported a deficit unrestricted net position at June 30, 2015 of \$274,118 and the District’s governmental activities reported a deficit unrestricted net position at June 30, 2015 of \$5,972,280.

Recommendation – The District should research and implement as soon as possible the necessary financial restrictions and reforms to return operations as noted above to sound financial conditions.

Response – The large deficits are due primarily to the District’s implementation of Governmental Accounting Standards Board Statement number 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. See footnote 12 to the basic financial statements for an explanation of the associated changes in the financial statements. The deficit net position in governmental activities is due directly to the inclusion of the net pension liability and related deferred outflows and deferred inflows in the financial statements related to the public employee pension system. The large deficits in business-type activities and the School Nutrition Fund are primarily due to the same effects. However, the beginning unrestated deficit balances carried over from the prior year were held basically static for the year ended June 30, 2015, a significant improvement over the past two years.

Conclusion – Response accepted.