

VILLISCA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Villisca Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
John A. Baker	President	2010
Marvin Smith	Vice President	2009
Daniel Sorensen	Board Member	2009
Jason Poston	Board Member	2008
Blaine Sunderman	Board Member	2008

**Board of Education
(After September 2008 Election)**

Marvin Smith	President	2009
Jason Poston	Vice President	2011
Daniel Sorensen	Board Member	2009
John Baker	Board Member	2011 *
Blaine Sunderman	Board Member	2011

School Officials

Teresa Nook	Superintendent	2009
Jessie Forsythe	District Secretary/ Treasurer	2009
Ahlers & Cooney, P.C.	Attorney	2009

*Board terms extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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 the Villisca Community School District, Villisca, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 the Villisca Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2010 on our consideration of the Villisca Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Villisca Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Villisca Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,431,103 in fiscal 2008 to \$3,536,177 in fiscal 2009, while General Fund expenditures decreased from \$3,635,583 in fiscal 2008 to \$3,550,090 in fiscal 2009. The result is a decrease in the District's General Fund balance from \$199,793 in fiscal 2008 to a balance of \$185,880 in fiscal 2009, a decrease of 6.96% from the prior year.
- Board approval of \$50,000 of Statewide Sales and Service Tax income toward payment of outstanding General Obligation Bond indebtedness helps reduce the property tax rate for patrons.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Villisca Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Villisca Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Villisca Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

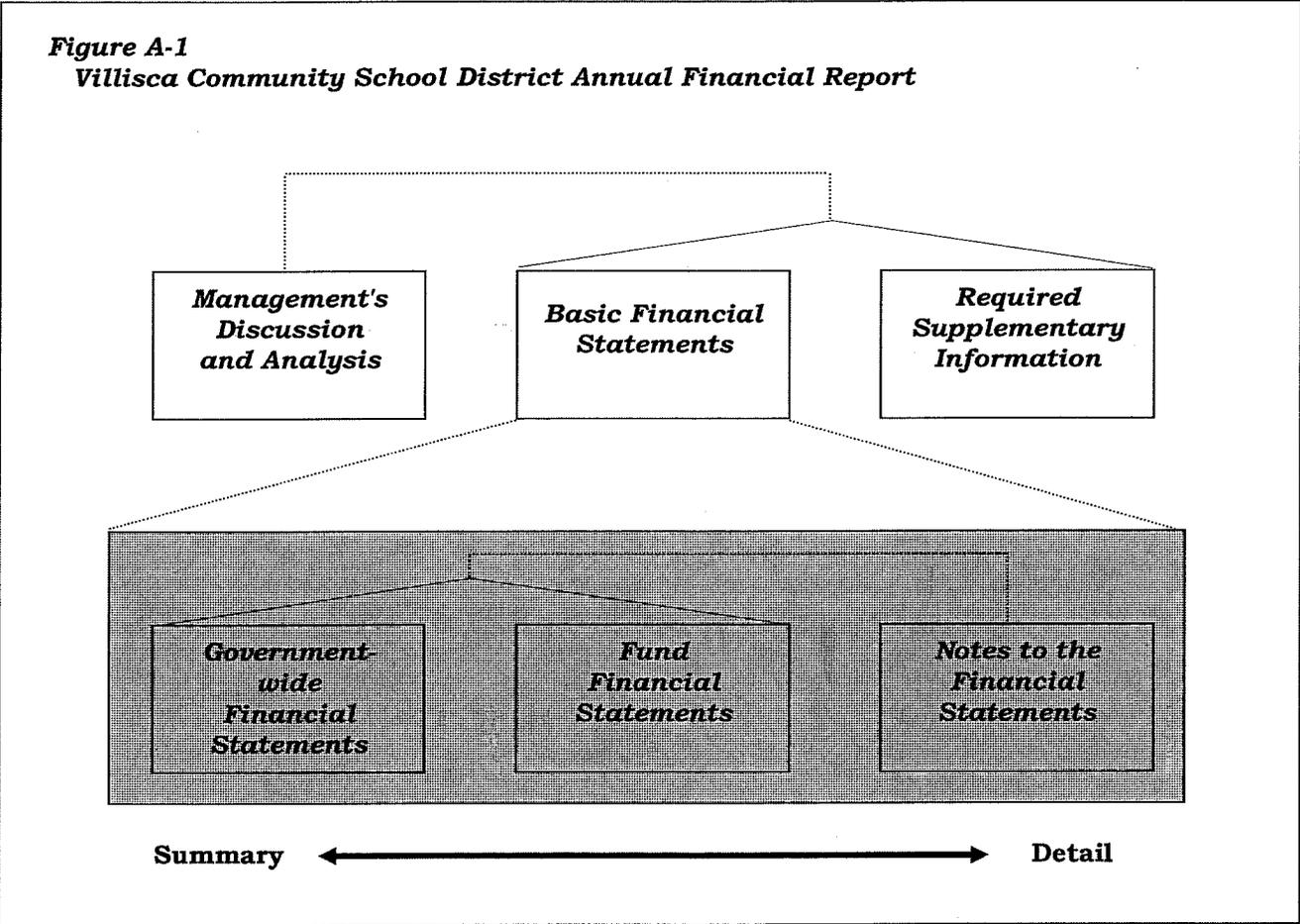


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 7,038,429	5,773,026	16,146	15,101	7,054,575	5,788,127	21.88%
Capital assets	3,687,039	3,756,499	33,133	37,324	3,720,172	3,793,823	-1.94%
Total assets	10,725,468	9,529,525	49,279	48,875	10,774,747	9,581,950	12.45%
Long-term obligations	4,605,142	4,730,000	0	0	4,605,142	4,730,000	-2.64%
Other liabilities	3,063,698	1,863,716	1,623	1,530	3,065,321	1,865,246	64.34%
Total liabilities	7,668,840	6,593,716	1,623	1,530	7,670,463	6,595,246	16.30%
Net assets:							
Invested in capital assets, net of related debt	1,292,898	1,208,163	33,133	37,324	1,326,031	1,245,487	6.47%
Restricted	1,593,773	1,584,466	0	0	1,593,773	1,584,466	0.59%
Unrestricted	169,957	143,178	14,523	13,571	184,480	156,749	17.69%
Total net assets	\$ 3,056,628	2,935,807	47,656	50,895	3,104,284	2,986,702	3.94%

The District's combined net assets increased by 3.94%, or \$117,582, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$9,307 or .59% over to the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$27,731 or 17.69%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2009 compared to June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 246,886	306,519	102,368	99,100	349,254	405,619	-13.90%
Operating grants and contributions and restricted interest	674,025	553,485	105,165	100,415	779,190	653,900	19.16%
General revenues:							
Local tax	1,564,658	1,450,375	0	0	1,564,658	1,450,375	7.88%
Statewide sales and service tax	222,115	225,437	0	0	222,115	225,437	-1.47%
Unrestricted state grants	1,522,180	1,584,073	0	0	1,522,180	1,584,073	-3.91%
Other	154,952	161,866	23	55	154,975	161,921	-4.29%
Transfers	0	(11,159)	0	11,159	0	0	0.00%
Total revenues	4,384,816	4,270,596	207,556	210,729	4,592,372	4,481,325	2.48%
Program expenses:							
Governmental activities:							
Instructional	2,584,192	2,540,572	0	0	2,584,192	2,540,572	1.72%
Support services	1,117,514	1,225,986	3,380	0	1,120,894	1,225,986	-8.57%
Non-instructional programs	6,656	3,515	207,415	203,105	214,071	206,620	3.61%
Other expenses	555,633	489,525	0	0	555,633	489,525	13.50%
Total expenses	4,263,995	4,259,598	210,795	203,105	4,474,790	4,462,703	0.27%
Changes in net assets	120,821	10,998	(3,239)	7,624	117,582	18,622	531.41%
Net assets beginning of year	2,935,807	2,924,809	50,895	43,271	2,986,702	2,968,080	0.63%
Net assets end of year	\$ 3,056,628	2,935,807	47,656	50,895	3,104,284	2,986,702	3.94%

In fiscal 2009, local tax and unrestricted state grants account for 70.40% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$4,592,372 of which \$4,384,816 was for governmental activities and \$207,556 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.48% increase in revenues and a .27% increase in expenses. The increase in expenses was a result of the increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$4,384,816 and expenses were \$4,263,995. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 2,584,192	2,540,572	1.72%	1,806,102	1,818,633	-0.69%
Support services	1,117,514	1,214,827	-8.01%	1,116,779	1,214,118	-8.02%
Non-instructional	6,656	3,515	89.36%	6,656	3,515	89.36%
Other expenses	555,633	500,684	10.97%	413,547	363,328	13.82%
Totals	\$ 4,263,995	4,259,598	0.10%	3,343,084	3,399,594	-1.66%

- The cost financed by users of the District's programs was \$246,886.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$674,025.
- The net cost of governmental activities was financed with \$1,564,658 in local tax, \$222,115 in statewide sales and service tax, \$1,522,180 in unrestricted state grants, \$113,871 in interest income, and \$41,081 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$207,556 and expenses were \$210,795. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and capital contributions.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,955,182, from last year's ending fund balances of a \$3,895,617.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Although the District had increased revenues for the year ended June 30, 2009, its expenses exceeded available revenues causing a decrease in the General Fund fund balance.
- The Activity fund and Expendable Trust fund combined balance decreased from \$224,306 in 2008, to \$219,303 in 2009 as a result of expenditures exceeding revenues.
- The Management Fund balance increased from \$242,401 in 2008 to \$242,916 in 2009. The revenues exceeded expenditures for the fund, thus guaranteeing the increase in fund balance during the year.
- The Physical Plant and Equipment Levy Fund (PPEL) balance decreased from \$247,579 to \$206,274.
- The District's Capital Projects Fund increased from \$691,789 in 2008, to \$809,905 in 2009, due to a decrease in expenditures during the current year.

• **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$50,895 at June 30, 2008 to \$47,656 at June 30, 2009, representing a decrease of approximately 6.36%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$56,055 less than budgeted revenues, a variance of 1.21%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$3,720,172, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.94% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$144,742.

The original cost of the District’s capital assets was \$5,957,883. Governmental funds account for \$5,788,320 with the remainder of \$169,563 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. This category totaled \$239,295 at June 30, 2008, compared to \$204,370 reported at June 30, 2009. This net decrease resulted from the current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 18,650	18,650	0	0	18,650	18,650	0.00%
Buildings	3,490,349	3,529,418	0	0	3,490,349	3,529,418	-1.11%
Land Improvements	6,803	6,458	0	0	6,803	6,458	5.34%
Machinery and equipment	171,237	201,971	33,133	37,324	204,370	239,295	-14.59%
Total	\$ 3,687,039	3,756,497	33,133	37,324	3,720,172	3,793,821	-1.94%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$4,605,142 in general obligation bonds and early retirement. This represents a decrease of 2.64% from last year. (See Figure A-7) More detailed information about the District’s long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30, 2009	2008	June 30, 2008-09
General obligation bonds	4,575,000	4,730,000	-3.28%
Early retirement	30,142	0	100.00%
Total	<u>\$ 4,605,142</u>	<u>4,730,000</u>	<u>-2.64%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced declining enrollment for a few years, the District expects the enrollment to remain stable.
- The FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jessie Forsythe, District Board Secretary/Business Manager, Villisca Community School District, 406 E 3rd St., Villisca, Iowa, 50864.

BASIC FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 1,041,980	0	1,041,980
Other	2,014,492	12,318	2,026,810
U.S. Treasury Securities on deposit with escrow agent	2,180,859	0	2,180,859
Receivables:			
Property tax:			
Delinquent	34,938	0	34,938
Succeeding year	1,585,981	0	1,585,981
Income surtax	55,789	0	55,789
Accounts	6,797	0	6,797
Accrued interest - ISCAP	4,057	0	4,057
Due from other governments	113,536	0	113,536
Inventories	0	3,828	3,828
Capital assets, net of accumulated depreciation	3,687,039	33,133	3,720,172
Total Assets	10,725,468	49,279	10,774,747
Liabilities			
Accounts payable	85,611	0	85,611
Salaries and benefits payable	296,771	308	297,079
ISCAP warrants payable	1,027,000	0	1,027,000
ISCAP accrued interest payable	5,795	0	5,795
ISCAP unamortized premium	16,290	0	16,290
Accrued interest payable	36,240	0	36,240
Deferred revenue:			
Succeeding year property tax	1,585,981	0	1,585,981
Other	10,010	0	10,010
Unearned revenues	0	1,315	1,315
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	155,000	0	155,000
Early retirement	30,142	0	30,142
Portion due after one year:			
General obligation bonds	4,420,000	0	4,420,000
Total Liabilities	7,668,840	1,623	7,670,463
Net Assets			
Invested in capital assets, net of related debt	1,292,898	33,133	1,326,031
Restricted for:			
Categorical funding	20,401	0	20,401
Management levy	227,845	0	227,845
Physical plant & equipment levy	206,274	0	206,274
Capital projects	809,905	0	809,905
Debt service	110,045	0	110,045
Other special revenue purposes	219,303	0	219,303
Unrestricted	169,957	14,523	184,480
Total Net Assets	\$ 3,056,628	47,656	3,104,284

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,427,800	55,403	506,782	(865,615)	0	(865,615)
Special	540,996	26,723	24,422	(489,851)	0	(489,851)
Other	615,396	164,760	0	(450,636)	0	(450,636)
	<u>2,584,192</u>	<u>246,886</u>	<u>531,204</u>	<u>(1,806,102)</u>	<u>0</u>	<u>(1,806,102)</u>
Support services:						
Student	53,177	0	0	(53,177)	0	(53,177)
Instructional staff	121,093	0	0	(121,093)	0	(121,093)
Administration	480,945	0	0	(480,945)	0	(480,945)
Operation and maintenance of plant	335,668	0	0	(335,668)	0	(335,668)
Transportation	126,631	0	735	(125,896)	0	(125,896)
	<u>1,117,514</u>	<u>0</u>	<u>735</u>	<u>(1,116,779)</u>	<u>0</u>	<u>(1,116,779)</u>
Non-instructional services:						
Food service operations	506	0	0	(506)	0	(506)
Community service & education operations	6,150	0	0	(6,150)	0	(6,150)
	<u>6,656</u>	<u>0</u>	<u>0</u>	<u>(6,656)</u>	<u>0</u>	<u>(6,656)</u>
Other expenditures:						
Facilities acquisitions	92,996	0	0	(92,996)	0	(92,996)
Long-term debt interest	225,986	0	0	(225,986)	0	(225,986)
AEA flowthrough	142,086	0	142,086	0	0	0
Depreciation (unallocated)*	94,565	0	0	(94,565)	0	(94,565)
	<u>555,633</u>	<u>0</u>	<u>142,086</u>	<u>(413,547)</u>	<u>0</u>	<u>(413,547)</u>
Total governmental activities	<u>4,263,995</u>	<u>246,886</u>	<u>674,025</u>	<u>(3,343,084)</u>	<u>0</u>	<u>(3,343,084)</u>
Business Type activities:						
Support Services:						
Operation and maintenance of plant	3,380	0	0	0	(3,380)	(3,380)
Non-instructional programs:						
Nutrition services	207,415	102,368	105,165	0	118	118
Total business type activities	<u>210,795</u>	<u>102,368</u>	<u>105,165</u>	<u>0</u>	<u>(3,262)</u>	<u>(3,262)</u>
Total	<u>\$ 4,474,790</u>	<u>349,254</u>	<u>779,190</u>	<u>(3,343,084)</u>	<u>(3,262)</u>	<u>(3,346,346)</u>
General Revenue:						
Local tax for:						
General purposes				\$ 1,284,423	0	1,284,423
Debt services				182,780	0	182,780
Capital outlay				36,385	0	36,385
Statewide sales and service tax				222,115	0	222,115
Income surtax				61,070	0	61,070
Unrestricted state grants				1,522,180	0	1,522,180
Unrestricted investment earnings				113,871	23	113,894
Other				41,081	0	41,081
Total general revenues				<u>3,463,905</u>	<u>23</u>	<u>3,463,928</u>
Excess of revenues over expenses before capital contribution				120,821	(3,239)	117,582
Net assets beginning of year				<u>2,935,807</u>	<u>50,895</u>	<u>2,986,702</u>
Net assets end of year				<u>\$ 3,056,628</u>	<u>47,656</u>	<u>3,104,284</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
ISCAP	\$ 1,041,980	0	0	0	1,041,980
Other	480,088	761,239	105,794	667,371	2,014,492
U.S. Treasury Securities on deposit with escrow agent					
	0	0	2,180,859	0	2,180,859
Receivables:					
Property tax:					
Delinquent	28,167	0	4,251	2,520	34,938
Succeeding year	1,308,068	0	188,549	89,364	1,585,981
Income surtax	0	0	0	55,789	55,789
Accounts	6,668	0	0	129	6,797
Accrued interest - ISCAP	4,057	0	0	0	4,057
Due from other governments	64,856	48,680	0	0	113,536
Total Assets	\$ 2,933,884	809,919	2,479,453	815,173	7,038,429
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 84,070	14	0	1,527	85,611
Salaries and benefits payable	296,771	0	0	0	296,771
ISCAP warrants payable	1,027,000	0	0	0	1,027,000
ISCAP accrued interest payable	5,795	0	0	0	5,795
ISCAP unamortized premium	16,290	0	0	0	16,290
Deferred revenue:					
Succeeding year property tax	1,308,068	0	188,549	89,364	1,585,981
Income surtax	0	0	0	55,789	55,789
Other	10,010	0	0	0	10,010
Total liabilities	2,748,004	14	188,549	146,680	3,083,247
Fund balances:					
Reserved for:					
Debt service	0	0	2,290,904	0	2,290,904
Categorical funding	20,401	0	0	0	20,401
Unreserved:					
Designated for cash flow	20,000	0	0	0	20,000
Undesignated	145,479	809,905	0	668,493	1,623,877
Total fund balances	185,880	809,905	2,290,904	668,493	3,955,182
Total Liabilities and Fund Balances	\$ 2,933,884	809,919	2,479,453	815,173	7,038,429

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 15)	\$ 3,955,182
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,687,039
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(36,240)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	55,789
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,605,142)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 3,056,628</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,212,451	222,115	182,780	165,120	1,782,466
Tuition	82,126	0	0	0	82,126
Other	45,594	6,247	88,067	179,804	319,712
State sources	1,988,535	0	125	74	1,988,734
Federal sources	207,471	0	0	0	207,471
Total revenues	<u>3,536,177</u>	<u>228,362</u>	<u>270,972</u>	<u>344,998</u>	<u>4,380,509</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,371,669	0	0	25,484	1,397,153
Special	540,996	0	0	0	540,996
Other	455,135	0	0	165,964	621,099
	<u>2,367,800</u>	<u>0</u>	<u>0</u>	<u>191,448</u>	<u>2,559,248</u>
Support services:					
Student	52,671	0	0	506	53,177
Instructional staff	95,045	0	0	22,048	117,093
Administration	452,119	0	0	28,826	480,945
Operation and maintenance of plant	298,429	0	0	35,762	334,191
Transportation	135,790	0	0	16,227	152,017
	<u>1,034,054</u>	<u>0</u>	<u>0</u>	<u>103,369</u>	<u>1,137,423</u>
Non-instructional:					
Food service operations	0	0	0	506	506
Community service and education operation	6,150	0	0	0	6,150
	<u>6,150</u>	<u>0</u>	<u>0</u>	<u>506</u>	<u>6,656</u>
Other expenditures:					
Facilities acquisitions	0	60,246	0	32,750	92,996
Long-term debt:					
Principal	0	0	155,000	0	155,000
Interest and fiscal charges	0	0	227,535	0	227,535
AEA flowthrough	142,086	0	0	0	142,086
	<u>142,086</u>	<u>60,246</u>	<u>382,535</u>	<u>32,750</u>	<u>617,617</u>
Total expenditures	<u>3,550,090</u>	<u>60,246</u>	<u>382,535</u>	<u>328,073</u>	<u>4,320,944</u>
Excess(deficiency) of revenues over(under) expenditures	(13,913)	168,116	(111,563)	16,925	59,565
Other financing sources(uses):					
Transfers in	0	0	112,718	0	112,718
Transfers out	0	(50,000)	0	(62,718)	(112,718)
Total other financing sources(uses)	<u>0</u>	<u>(50,000)</u>	<u>112,718</u>	<u>(62,718)</u>	<u>0</u>
Net change in fund balances	(13,913)	118,116	1,155	(45,793)	59,565
Fund balances beginning of year	199,793	691,789	2,289,749	714,286	3,895,617
Fund balances end of year	<u>\$ 185,880</u>	<u>809,905</u>	<u>2,290,904</u>	<u>668,493</u>	<u>3,955,182</u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds(page 17) \$ 59,565

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 71,093	
Depreciation expense	(140,551)	(69,458)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 4,307

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Repaid		155,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,549

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.

Early retirement		(30,142)
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Changes in net assets of governmental activities(page 14) \$ 120,821

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and cash equivalents	\$ 12,318
Inventories	3,828
Capital assets, net of accumulated depreciation	<u>33,133</u>
Total Assets	<u>49,279</u>
Liabilities	
Salaries and benefits payable	308
Unearned revenues	<u>1,315</u>
Total Liabilities	<u>1,623</u>
Net Assets	
Invested in capital assets	33,133
Unrestricted	<u>14,523</u>
Total Net Assets	<u>\$ 47,656</u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 89,081
Other local revenue	13,287
TOTAL OPERATING REVENUES	102,368
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	2,702
Supplies	678
	3,380
Non-instructional programs:	
Food service operations:	
Salaries	70,950
Benefits	9,787
Services	250
Supplies	122,237
Depreciation	4,191
	207,415
TOTAL OPERATING EXPENSES	210,795
OPERATING LOSS	(108,427)
NON-OPERATING REVENUES:	
Interest	23
State sources	2,128
Federal sources	103,037
TOTAL NON-OPERATING REVENUES	105,188
Change in net assets	(3,239)
Net assets beginning of year	50,895
Net assets end of year	\$ 47,656

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 88,875
Cash received from miscellaneous operating activities	13,287
Cash payments to employees for services	(80,429)
Cash payments to suppliers for goods or services	(113,801)
Net cash used in operating activities	(92,068)
Cash flows from non-capital financing activities:	
State grants received	2,128
Federal grants received	91,980
Net cash provided by non-capital financing activities	94,108
Cash flows from investing activities:	
Interest on investments	23
Net increase in cash and cash equivalents	2,063
Cash and cash equivalents at beginning of year	10,255
Cash and cash equivalents at end of year	\$ 12,318
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (108,427)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Commodities consumed	11,057
Depreciation	4,191
Decrease in inventories	1,019
Decrease in accounts payable	(10)
Increase in salaries and benefits payable	308
Decrease in unearned revenue	(206)
Net cash used in operating activities	\$ (92,068)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 12,318
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2009, the District received Federal commodities valued at \$11,057.

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Villisca Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Villisca, Iowa, and the predominate agricultural territory in Adams, Montgomery, Page and Taylor Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets. The value of the United States Treasury Securities on deposit with the escrow agent as part of the crossover refunding bond issue has been added to the invested in capital assets, net of related debt.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account 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.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

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

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

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

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

Designated Cashflow - In the governmental fund financial statements, the District's board designated \$20,000 of the General Fund's unreserved balance for cashflow purposes.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 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 insure there will be no loss of public funds.

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

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 697,408</u>

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury Securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Securities and Certificates of deposit are stated at fair value. Securities traded on a national or international exchange are valued the last reported sales price at current exchange rates.

At June 30, 2009, the District had investments in U.S. Treasury Securities and Certificates of Deposit maturing in over one year as follows:

	<u>Fair Value</u>
U.S. Treasury Securities	<u>\$ 2,180,859</u>

(3) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 50,000
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>62,718</u>
Total		<u>\$ 112,718</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Accrued		Accrued	
			Investments	Interest Receivable	Warrants Payable	Interest Payable
2008-09B	1/21/2009	1/21/2010	\$ 430,448	3,981	425,000	5,589
2009-10A	6/25/2009	6/23/2010	611,532	76	602,000	206
Total			\$ 1,041,980	4,057	1,027,000	5,795

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District did not have any ISCAP advance activity in the General Fund for the year ended June 30, 2009.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,650	0	0	18,650
Total capital assets not being depreciated	18,650	0	0	18,650
Capital assets being depreciated:				
Buildings	4,801,242	52,341	0	4,853,583
Land improvements	109,264	3,500	0	112,764
Machinery and equipment	792,045	15,252	3,974	803,323
Total capital assets being depreciated	5,702,551	71,093	3,974	5,769,670
Less accumulated depreciation for:				
Buildings	1,271,824	91,410	0	1,363,234
Land improvements	102,806	3,155	0	105,961
Machinery and equipment	590,074	45,986	3,974	632,086
Total accumulated depreciation	1,964,704	140,551	3,974	2,101,281
Total capital assets being depreciated, net	3,737,847	(69,458)	0	3,668,389
Governmental activities capital assets, net	\$ 3,756,497	(69,458)	0	3,687,039

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 169,563	0	0	169,563
Less accumulated depreciation	132,239	4,191	0	136,430
Business type activities capital assets, net	\$ 37,324	(4,191)	0	33,133

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 3,384
Other	6,670

Support services:

Instructional staff	4,000
Operation and maintenance of plant	1,477
Transportation	30,455
Unallocated depreciation	94,565

Total governmental activities depreciation expense \$ 140,551

Business type activities:

Food service operations	<u>\$ 4,191</u>
-------------------------	-----------------

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 4,730,000	0	155,000	4,575,000	160,000
Early retirement	0	30,142	0	30,142	30,142
Total	\$ 4,730,000	30,142	155,000	4,605,142	190,142

General Obligation Bonds

On December 1, 2005, the District issued \$2,235,000 of general obligation refunding bonds, with interest rates ranging from 3.75% to 4.00%, for a crossover refunding of a portion of the general obligation bonds issued May 1, 2000. The District entered in to an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$2,180,000 principal on the refunded general obligation bonds when they become callable on May 1, 2011 and on the interest from December 1, 2005 to May 1, 2011 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished. Annual debt service requirements to maturity of the general obligation refunding bonds are as follows:

Year Ending June 30,	Interest Rate	Bond issue dated May 1, 2000		
		Principal	Interest	Total
2010	5.85	% \$ 160,000	130,150	290,150
2011	5.25	170,000	120,790	290,790
2012	5.30	180,000	111,865	291,865
2013	5.35	185,000	102,325	287,325
2014	5.40	200,000	174,055	374,055
2015-2019	5.50-5.65	1,165,000	203,518	1,368,518
2020	5.70-5.75	280,000	16,100	296,100
Subtotal		\$ 2,340,000	858,803	3,198,803

Year Ending June 30,	Interest Rate	Bond issue dated December 1, 2005		
		Principal	Interest	Total
2010	4.00	% \$ 0	87,285	87,285
2011	4.00	185,000	87,285	272,285
2012	4.00	195,000	79,885	274,885
2013	4.00	200,000	72,085	272,085
2014	3.75	210,000	64,085	274,085
2015-2019	3.75-4.00	1,175,000	195,135	1,370,135
2020	4.00	270,000	10,800	280,800
Subtotal		\$ 2,235,000	596,560	2,831,560
Total		\$ 4,575,000	1,455,363	6,030,363

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least fifty-five and employees must have completed twenty years of consecutive service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$14,000. Upon early retirement, the employee is eligible to continue participation in the District's group insurance plan at the employee's expense.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State for the years ended June 30, 2009, 2008, 2007 statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$145,114, \$133,168, and \$122,412, respectively, equal to the required contributions for each year.

(8) Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2009 were \$12,091.

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

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

(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 \$142,086 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis.

(10) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 11,721
Core curriculum	2,632
Market factor incentives	2,970
Market factor	3,078
Total reserved for categorical funding	<u>\$ 20,401</u>

(11) Other Post-employment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

VILLISCA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,184,304	102,391	2,286,695	2,358,810	2,358,810	(72,115)
State sources	1,988,734	2,128	1,990,862	2,021,824	2,021,824	(30,962)
Federal sources	207,471	103,037	310,508	255,500	255,500	55,008
Total revenues	<u>4,380,509</u>	<u>207,556</u>	<u>4,588,065</u>	<u>4,636,134</u>	<u>4,636,134</u>	<u>(48,069)</u>
Expenditures/Expenses:						
Instruction	2,559,248	0	2,559,248	3,131,964	3,131,964	572,716
Support services	1,137,423	3,380	1,140,803	1,510,410	1,510,410	369,607
Non-instructional programs	6,656	207,415	214,071	236,771	236,771	22,700
Other expenditures	617,617	0	617,617	1,165,637	1,165,637	548,020
Total expenditures/expenses	<u>4,320,944</u>	<u>210,795</u>	<u>4,531,739</u>	<u>6,044,782</u>	<u>6,044,782</u>	<u>1,513,043</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	59,565	(3,239)	56,326	(1,408,648)	(1,408,648)	1,464,974
Balance beginning of year	<u>3,895,617</u>	<u>50,895</u>	<u>3,946,512</u>	<u>4,109,145</u>	<u>4,109,145</u>	<u>(162,633)</u>
Balance end of year	<u>\$ 3,955,182</u>	<u>47,656</u>	<u>4,002,838</u>	<u>2,700,497</u>	<u>2,700,497</u>	<u>1,302,341</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

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

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

OTHER SUPPLEMENTARY INFORMATION

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total
Assets					
Cash and pooled investments	\$ 242,511	41,306	205,428	178,126	667,371
Receivables:					
Property tax:					
Current year delinquent	1,674	0	846	0	2,520
Succeeding year	50,000	0	39,364	0	89,364
Income surtax	0	0	55,789	0	55,789
Accounts	0	129	0	0	129
Total Assets	\$ 294,185	41,435	301,427	178,126	815,173
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,269	258	0	0	1,527
Deferred revenue:					
Succeeding year property tax	50,000	0	39,364	0	89,364
Income surtax	0	0	55,789	0	55,789
Total liabilities	51,269	258	95,153	0	146,680
Fund Balances:					
Unreserved fund balances	242,916	41,177	206,274	178,126	668,493
Total Liabilities and Fund Balances	\$ 294,185	41,435	301,427	178,126	815,173

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total
REVENUES:					
Local sources:					
Local tax	\$ 71,972	0	93,148	0	165,120
Other	10,922	161,509	2,271	5,102	179,804
State sources	49	0	25	0	74
TOTAL REVENUES	82,943	161,509	95,444	5,102	344,998
EXPENDITURES:					
Current:					
Instruction:					
Regular	19,834	0	0	5,650	25,484
Other	0	165,964	0	0	165,964
	19,834	165,964	0	5,650	191,448
Support services:					
Student support	506	0	0	0	506
Instructional staff	1,433	0	20,615	0	22,048
Administration	8,160	0	20,666	0	28,826
Operation and maintenance of plant	35,762	0	0	0	35,762
Transportation	16,227	0	0	0	16,227
	62,088	0	41,281	0	103,369
Non-instructional:					
Food service operations	506	0	0	0	506
Other expenditures:					
Facility acquisition	0	0	32,750	0	32,750
TOTAL EXPENDITURES	82,428	165,964	74,031	5,650	328,073
Excess(deficiency) of revenues over(under) expenditures	515	(4,455)	21,413	(548)	16,925
Other financing uses:					
Transfers out	0	0	(62,718)	0	(62,718)
Net change in fund balance	515	(4,455)	(41,305)	(548)	(45,793)
Fund balances beginning of year	242,401	45,632	247,579	178,674	714,286
Fund balances end of year	\$ 242,916	41,177	206,274	178,126	668,493

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama club	164	8,769	7,800	1,133
Music boosters	1,244	5,429	5,694	979
Track	0	2,934	2,858	76
Golf	0	610	545	65
Football	0	12,609	12,513	96
Volleyball	4,049	4,533	4,104	4,478
Athletics	0	1,400	1,324	76
Basketball	6,612	19,290	19,321	6,581
Activity tickets	163	2,704	1,903	964
Softball/baseball	(320)	6,410	5,997	93
Y-teens	1,856	11,245	10,246	2,855
FFA	2,748	19,757	21,385	1,120
Student activity pop	5,328	200	4,855	673
Science club	1,667	10,445	10,466	1,646
Cheerleaders	183	4,641	4,591	233
Student council	901	3,284	3,674	511
JH boosters	230	106	81	255
Destination Image	466	0	0	466
Annual staff	1,589	5,129	2,662	4,056
Dance team	5,550	5,743	6,331	4,962
Elementary club K-6	3,004	0	614	2,390
National honor society	300	1,462	1,255	507
Class of 2009	606	1,983	1,690	899
Class of 2010	1,049	13,484	10,932	3,601
Class of 2011	474	3,407	2,388	1,493
Class of 2012	(5)	480	275	200
Class of 2013	(101)	154	232	(179)
Class of 2014	(45)	0	32	(77)
Class of 2015	0	0	43	(43)
Interest	5,596	421	5,000	1,017
Secondary student club	2,324	14,880	17,153	51
Total	\$ 45,632	161,509	165,964	41,177

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 1,782,466	1,672,573	1,713,306	1,618,303	1,610,022	1,492,769
Tuition	82,126	133,313	78,454	58,162	45,031	97,588
Other	319,712	341,045	379,718	339,455	212,189	226,065
State sources	1,988,734	1,987,897	2,030,310	1,936,781	1,734,318	1,719,088
Federal sources	207,471	143,688	168,305	200,758	232,005	175,949
Total	\$ 4,380,509	4,278,516	4,370,093	4,153,459	3,833,565	3,711,459
Expenditures:						
Instruction:						
Regular	\$ 1,397,153	1,428,828	1,428,324	1,594,716	1,380,388	1,235,610
Special	540,996	541,847	533,797	438,880	459,736	569,350
Other	621,099	589,054	569,932	426,302	437,493	371,371
Support services:						
Student	53,177	97,079	89,149	107,231	76,683	78,347
Instructional staff	117,093	103,131	75,244	51,932	43,227	50,223
Administration	480,945	452,996	445,301	509,316	444,100	434,571
Operation and maintenance of plant	334,191	343,303	333,064	317,474	261,083	265,591
Transportation	152,017	218,335	230,966	222,208	197,724	198,894
Central	0	0	0	0	0	4,286
Non-instructional:						
Food service	506	440	277	277	254	233
Community service & education operations	6,150	3,075	0	0	31,943	29,319
Other expenditures:						
Facilities acquisitions	92,996	101,231	106,132	93,679	104,824	51,122
Long Term Debt:						
Principal	155,000	140,000	135,000	130,000	120,000	115,000
Interest	227,535	235,537	243,635	200,120	171,350	178,150
AEA flow-through	142,086	137,356	135,298	127,217	120,890	124,144
Total	\$ 4,320,944	4,392,212	4,326,119	4,219,352	3,849,695	3,706,211

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Villisca Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Villisca Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Villisca Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Villisca Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Villisca Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Villisca Community School District's financial statements that is more than inconsequential will not be prevented or detected by Villisca Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Villisca Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all

significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

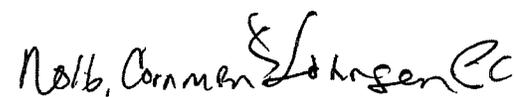
As part of obtaining reasonable assurance about whether Villisca Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Villisca Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Villisca Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Villisca Community School District and other parties to whom Villisca Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2010

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted.

I-B-09 Scholarships - We noted during our audit that scholarships were paid from the Student Activity Fund and the Private Purpose Trust. When the checks were issued, they were issued to the individual student only.

Recommendation - The District should issue the check to the college where the student is attending and the individual student, once the student has supplied proof of college attendance to the District.

Response - We will implement the changes to make sure that students do not receive scholarship funding directly. Checks will be issued to the college where the student is attending (checks will be issued once the student has provided proof of college attendance to the District).

Conclusion - Response accepted.

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed amounts budgeted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lisa Kernen, Teacher Spouse owns Granny's Auto Parts	Supplies	\$738

In accordance with Attorney's General Opinion dated July 2, 1990, the above transactions with the above individuals do not appear to represent a conflict of interest.

- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-09 Deficit Accounts - There are 3 individual accounts in the Student Activity Fund that have negative account balances totaling \$298.87.

Recommendation - The District should investigate alternatives to eliminate the deficit accounts in the Student Activity Fund.

Response - We will investigate alternatives to eliminate the deficit accounts in the Student Activity Fund.

Conclusion - Response accepted.

II-K-09 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and service tax revenue			222,115
Expenditures/transfers out:			
School Infrastructure			
Other improvements	\$	60,246	
Debt service for school infrastructure			
Revenue debt		50,000	110,246
			<hr/>
Ending Balance		\$	<u>111,869</u>

II-M-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation of Student Activity Fund and the Nutrition Fund which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - We will issue lost/replacement checks to the individual that could be contacted. All other outstanding checks will be submitted to the State Treasury by November 1st.

Conclusion - Response accepted.