

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, 2009

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-15
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	18-19
B Statement of Activities	20-23
Governmental Fund Financial Statements:	
C Balance Sheet	24-25
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	26
E Statement of Revenues, Expenditures and Changes in Fund Balances	27-28
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	29
Proprietary Fund Financial Statements:	
G Statement of Net Assets	30
H Statement of Revenues, Expenses and Changes in Net Assets	31
I Statement of Cash Flows	32-33
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	34
K Statement of Changes in Fiduciary Net Assets	35
Notes to Financial Statements	36-48
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	50
Notes to Required Supplementary Information – Budgetary Reporting	51
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	54
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	55
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	56-58
4 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	60-61
5 Schedule of Expenditures of Federal Awards	62
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	63-64

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	65-66
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	67-71

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2008 Election)		
Todd Wiley	President	2009
Kathy Tranel	Vice President	2008
Tim Bird	Board Member	2008
Joan Sainsbury	Board Member	2009
Gerald Horst	Board Member	2009
Pat Lyons	Board Member	2011
<u>Board of Education</u>		
(After September 2008 Election)		
Todd Wiley	President	2009
Pat Lyons	Vice President	2011
Gerald Horst	Board Member	2009
Joan Sainsbury	Board Member	2009
Tim Bird	Board Member	2011
Megan Rickels	Board Member	2011
Angela Hazen	Board Member	2011
<u>School Officials</u>		
Dr. Randy Braden	Superintendent	2009
Larry Stroschein	District Secretary/Treasurer	2009
Mark Mossman	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Vinton-Shellsburg 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 Vinton-Shellsburg Community School District, 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 the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 Vinton-Shellsburg Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2009 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 and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 7 through 15 and 50 through 51 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. However, we did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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. 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.

Oskaloosa, Iowa
September 17, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. This analysis will focus on the District's financial performance as a whole for the fiscal year 2009.

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

Financial Highlights

- ◆ General Fund revenue increased from \$15,010,694 in fiscal year 2008 to \$15,345,999 in fiscal year 2009 while General Fund expenditures increased from \$15,149,166 in fiscal year 2008 to \$15,516,629 in fiscal year 2009.
- ◆ The increase in General Fund revenues was attributable to an increase in property tax as well as federal revenue in fiscal 2009.

◆ 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 services.
- ◆ 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 assets includes all of the District's assets and liabilities. 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 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 and indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to 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 finances 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 you 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.

- ◆ **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 fund, one type of proprietary fund, is the same as its business-type activities but provides 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.

- ◆ **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.

Financial Analysis of the District as a Whole

Net assets: Figure A-1 provides a summary of the District's net assets for the year ended June 30, 2009. The districts combined net assets were higher on June 30, 2009 than they were the year before, increasing to \$11,417,737. (figure A1)

**Condensed Statement of Net Assets-
figure A1**

	Governmental		Business- type		Total School District		Total Percentage
	Activities		Activities				Change
	2008	2009	2008	2009	2008	2009	2008-09 %
Current and other assets	\$11,703,731	\$12,970,040	\$234,725	\$225,607	\$11,938,456	\$13,195,647	10.5%
Capital assets	\$21,749,462	\$21,548,805	\$288,827	\$261,589	\$22,038,289	\$21,810,394	-1.0%
Total Assets	\$33,453,193	\$34,518,845	\$523,552	\$487,196	\$33,976,745	\$35,006,041	3.0%
Long-term debt outstanding	\$14,202,782	\$13,566,435			\$14,202,782	\$13,566,435	-4.5%
Other liabilities	\$8,940,787	\$9,964,964	\$74,213	\$56,905	\$9,015,000	\$10,021,869	11.2%
Total liabilities	\$23,143,569	\$23,531,399	\$74,213	\$56,905	\$23,217,782	\$23,588,304	1.6%
Net Assets							
Invested in capital assets, net of related debt	\$9,388,268	\$10,017,600	\$288,827	\$261,589	\$9,677,095	\$10,279,189	6.2%
Restricted	\$1,132,239	\$1,347,108			\$1,132,239	\$1,347,108	19.0%
Unrestricted	-\$210,883	-\$377,262	\$160,512	\$168,702	-\$50,371	-\$208,560	-314.0%
TOTAL NET ASSETS	\$10,309,624	\$10,987,446	\$449,339	\$430,291	\$10,758,963	\$11,417,737	6.1%

Change in net assets: Figure A-2 shows the changes in net assets for the year ending June 30, 2009.

Changes in Net Assets from Operating Results- figure A2

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2008-09%
	2008	2009	2008	2009	2008	2009	
Revenues					\$ -	\$ -	
Program Revenues					\$ -	\$ -	
Charges for services	\$ 850,830	\$ 951,785	\$ 364,363	\$ 412,736	\$ 1,215,193	\$ 1,364,521	12%
Operating Grants & Contributions	\$ 2,010,778	\$ 2,467,978	\$ 322,602	\$ 349,749	\$ 2,333,380	\$ 2,817,727	21%
Capital Grants & Contributions	\$ 155,000	\$ -	\$ 240,977	\$ 1,924	\$ 395,977	\$ 1,924	
General Revenues					\$ -	\$ -	
Property taxes & other taxes	\$ 6,419,347	\$ 6,733,945			\$ 6,419,347	\$ 6,733,945	5%
State formula aid	\$ 8,246,989	\$ 8,003,816			\$ 8,246,989	\$ 8,003,816	-3%
Other	\$ 147,909	\$ 235,765	\$ 4,519	\$ 393	\$ 152,428	\$ 236,158	55%
Total Revenues	\$ 17,830,853	\$ 18,393,289	\$ 932,461	\$ 764,802	\$ 18,763,314	\$ 19,158,091	2%
Expenses							
Instruction	\$ 11,085,272	\$ 11,734,737			\$ 11,085,272	\$ 11,734,737	6%
Pupil & Instructional Svcs	\$ 4,223,971	\$ 4,145,489			\$ 4,223,971	\$ 4,145,489	-2%
Non-instructional Programs			\$ 751,323	\$ 783,850	\$ 751,323	\$ 783,850	4%
					\$ -	\$ -	
					\$ -	\$ -	
Other	\$ 2,060,158	\$ 1,835,241			\$ 2,060,158	\$ 1,835,241	-11%
Total Expenses	\$ 17,369,401	\$ 17,715,467	\$ 751,323	\$ 783,850	\$ 18,120,724	\$ 18,499,317	2%
Increase (decrease) in net assets	\$ 461,452	\$ 677,822	\$ 181,138	\$ (19,048)	\$ 642,590	\$ 658,774	3%

Property tax and unrestricted state grants account for 77% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$18,393,289 and expenses were \$17,715,467. In a very difficult budget year, the District did a remarkable job of controlling expenditures to provide additional 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 2008-09%	Net Cost of Services		Percentage Change 2008-09%
	2008	2009		2008	2009	
Instruction	\$11,085,272	\$11,734,737	6%	\$8,864,945	\$8,991,271	1%
Support Services Non-instructional programs	\$4,223,971	\$4,145,489	-2%	\$4,212,883	\$4,132,789	-2%
Other	\$2,060,158	\$1,835,241	-11%	\$1,274,965	\$1,171,644	-8%
TOTAL	\$17,369,401	\$17,715,467	2%	\$14,352,793	\$14,295,704	-0.4%

- ◆ The cost financed by users of District's programs was \$951,785.
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$ 2,467,978.
- ◆ The net cost of governmental activities was financed with \$6,733,945 in property tax, \$8,003,816 in state foundation aid and \$235,765 in other income.

Business -Type Activities

Revenues of the District's business-type activities were \$764,802 and expenses were \$783,850. 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 \$2,694,273 an increase of \$238,288 from last year's ending fund balance of \$2,455,985. The primary reason for the increase in combined fund balances in fiscal 2009 was due to the total revenue being greater than the previous year.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy, increased taxes and grants resulted in increased revenues. The increase in revenues was coupled with about the usual increase in General Fund expenditures.
- ◆ The General Fund balance decreased from a deficit of \$230,881 to a deficit of \$401,511 for the 2008-09 fiscal year. The District is working to improve the balance by increasing the cash reserve levy and controlling expenditures.
- ◆ The Capital Projects Fund balance increased from \$1,723,806 to \$1,958,795, for the 2008-09 fiscal year. The increase is due to additional monies in the local sales option account.

Proprietary Fund Highlights

The School Nutrition Fund and Preschool Daycare net assets decreased from \$449,339 at June 30, 2008 to \$430,291 at June 30, 2009.

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 individual major funds are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual revenues were approximately \$159,825 greater than the total budgeted receipts, a variance of 1 percent.

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, 2009, the District had invested \$21.8 million, net of accumulated depreciation of \$6.2 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 financial statements.

Governmental Funds account for \$21.5 million with the remainder of \$.3 million in the School Nutrition Fund, net of accumulated depreciation amounts of \$6 million and \$.2 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 2008-09%
	2008	2009	2008	2009	2008	2009	
	Land	\$ 86,215	\$ 86,215			\$ 86,215	
Construction in progress	\$ -	\$ -			\$ -	\$ -	
Improvements	\$ 158,302	\$ 262,077			\$ 158,302	\$ 262,077	66%
Buildings	\$ 21,227,758	\$ 20,807,044			\$ 21,227,758	\$ 20,807,044	-2%
Equipment & Furniture	\$ 277,187	\$ 393,469	\$ 288,827	\$ 261,589	\$ 566,014	\$ 655,058	16%
TOTAL	\$ 21,749,462	\$ 21,548,805	\$ 288,827	\$ 261,589	\$ 22,038,289	\$ 21,810,394	-1%

Long-Term Liabilities

On June 30, 2009, the District had \$13,490,000 bonded indebtedness, and \$76,435 in early retirement 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**

	2008	2008	Change	
Early Retirement	117,782	76,435	-41,347	
Lease purchases	0	0	0	
Real estate contract	0	0	0	
General obligation bonds	14,085,000	13,490,000	-595,000	
Capital loan notes	0	0	0	
Totals	14,202,782	13,566,435	-636,347	

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:

- ◆ State payments remain a concern. As long as the state financial picture remains uncertain, future state cuts cannot be ruled out.
- ◆ The district voters authorized a one-cent school infrastructure local option tax in February 2004. Tax collection began in July 2004 and is now part of the statewide pooled fund from which the District receives its share of payments. The receipts from the one-cent school infrastructure statewide tax will be used to repay the general obligation bonds and interest.
- ◆ The District will negotiate a new labor contract in 2010 with its employees. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and reserve fund balance.
- ◆ Student enrollment figures remain a concern. General Fund 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 Larry Stroschein, Business Manager, Vinton-Shellsburg Community School District, 1502 C Avenue, Vinton, Iowa 52349.

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Basic Financial Statements

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,476,153	\$ 206,964	\$ 4,683,117
Receivables:			
Property tax:			
Current year	86,436	-	86,436
Succeeding year	5,298,000	-	5,298,000
Income surtax	404,270	-	404,270
Accrued interest	7,212	-	7,212
Accounts	28,343	1,373	29,716
Due from other governments	688,531	-	688,531
Inventories	-	17,270	17,270
Restricted ISCAP assets (note 4):			
Investments	1,980,876	-	1,980,876
Accrued interest receivable	219	-	219
Capital assets, net of accumulated depreciation (note 5)	21,548,805	261,589	21,810,394
Total assets	34,518,845	487,196	35,006,041
Liabilities			
Accounts payable	326,783	166	326,949
Salaries and benefits payable	2,029,562	46,978	2,076,540
Accrued interest payable	93,467	-	93,467
ISCAP warrants payable (note 4)	1,950,000	-	1,950,000
ISCAP accrued interest payable (note 4)	668	-	668
ISCAP unamortized premium (note 4)	37,748	-	37,748
Deferred revenue:			
Succeeding year property tax	5,298,000	-	5,298,000
Other	228,736	9,761	238,497
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	76,435	-	76,435
Bonds payable	610,000	-	610,000
Portion due after one year:			
Bonds payable	12,880,000	-	12,880,000
Total liabilities	23,531,399	56,905	23,588,304

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 10,017,600	\$ 261,589	\$ 10,279,189
Restricted for:			
Management levy	165,732	-	165,732
Physical plant and equipment levy	920,165	-	920,165
Other special revenue purposes	261,211	-	261,211
Unrestricted	<u>(377,262)</u>	<u>168,702</u>	<u>(208,560)</u>
Total net assets	<u>\$ 10,987,446</u>	<u>\$ 430,291</u>	<u>\$ 11,417,737</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 7,922,606	\$ 286,609	\$ 1,593,745	\$ -
Special instruction	2,346,778	104,009	197,936	-
Other instruction	1,465,353	561,167	-	-
	<u>11,734,737</u>	<u>951,785</u>	<u>1,791,681</u>	<u>-</u>
Support services:				
Student services	465,576	-	5,565	-
Instructional staff services	597,659	-	-	-
Administration services	1,370,878	-	-	-
Operation and maintenance of plant services	1,124,829	-	-	-
Transportation services	586,547	-	7,135	-
	<u>4,145,489</u>	<u>-</u>	<u>12,700</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	77,073	-	-	-
Long-term debt interest and fiscal charges	582,843	-	-	-
AEA flowthrough	663,597	-	663,597	-
Depreciation (unallocated) *	511,728	-	-	-
	<u>1,835,241</u>	<u>-</u>	<u>663,597</u>	<u>-</u>
Total governmental activities	<u>17,715,467</u>	<u>951,785</u>	<u>2,467,978</u>	<u>-</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	\$ 764,162	\$ 396,226	\$ 349,749	\$ 1,924
Other	19,688	16,510	-	-
	<u>783,850</u>	<u>412,736</u>	<u>349,749</u>	<u>1,924</u>
Total	<u>\$ 18,499,317</u>	<u>\$ 1,364,521</u>	<u>\$ 2,817,727</u>	<u>\$ 1,924</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,042,252)	\$ -	\$ (6,042,252)
(2,044,833)	-	(2,044,833)
(904,186)	-	(904,186)
(8,991,271)	-	(8,991,271)
(460,011)	-	(460,011)
(597,659)	-	(597,659)
(1,370,878)	-	(1,370,878)
(1,124,829)	-	(1,124,829)
(579,412)	-	(579,412)
(4,132,789)	-	(4,132,789)
(77,073)	-	(77,073)
(582,843)	-	(582,843)
-	-	-
(511,728)	-	(511,728)
(1,171,644)	-	(1,171,644)
(14,295,704)	-	(14,295,704)
\$ -	\$ (16,263)	\$ (16,263)
-	(3,178)	(3,178)
-	(19,441)	(19,441)
(14,295,704)	(19,441)	(14,315,145)

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs

General Revenues:

Property tax levied for:

 General purposes

 Debt service

 Capital outlay

Income surtax

Statewide sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets 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 Assets

Governmental Activities	Business-Type Activities	Total
\$ 4,611,629	\$ -	\$ 4,611,629
335,654	-	335,654
270,595	-	270,595
447,419	-	447,419
1,068,648	-	1,068,648
8,003,816	-	8,003,816
81,298	393	81,691
154,467	-	154,467
14,973,526	393	14,973,919
677,822	(19,048)	658,774
10,309,624	449,339	10,758,963
\$ 10,987,446	\$ 430,291	\$ 11,417,737

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and pooled investments	\$ 1,931,697	\$ 1,435,578	\$ 1,108,878	\$ 4,476,153
Receivables:				
Property tax:				
Current year	70,367	-	16,069	86,436
Succeeding year	4,584,000	-	714,000	5,298,000
Income surtax	67,378	-	336,892	404,270
Accrued interest	7,212	-	-	7,212
Accounts	10,318	-	18,025	28,343
Due from other governments	165,314	523,217	-	688,531
Restricted ISCAP assets (note 4):				
Investments	1,980,876	-	-	1,980,876
Accrued interest receivable	219	-	-	219
 Total assets	 <u>\$ 8,817,381</u>	 <u>\$ 1,958,795</u>	 <u>\$ 2,193,864</u>	 <u>\$ 12,970,040</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 320,800	\$ -	\$ 5,983	\$ 326,783
Salaries and benefits payable	2,029,562	-	-	2,029,562
ISCAP warrants payable (note 4)	1,950,000	-	-	1,950,000
ISCAP accrued interest payable (note 4)	668	-	-	668
ISCAP unamortized premium (note 4)	37,748	-	-	37,748
Deferred revenue:				
Succeeding year property tax	4,584,000	-	714,000	5,298,000
Other	296,114	-	336,892	633,006
Total liabilities	<u>9,218,892</u>	<u>-</u>	<u>1,056,875</u>	<u>10,275,767</u>
Fund balance:				
Reserved for:				
Debt service	-	-	50,338	50,338
Unreserved, reported in:				
General fund	(401,511)	-	-	(401,511)
Special revenue funds	-	-	1,086,651	1,086,651
Capital projects fund	-	1,958,795	-	1,958,795
Total fund balances	<u>(401,511)</u>	<u>1,958,795</u>	<u>1,136,989</u>	<u>2,694,273</u>
Total liabilities and fund balances	<u>\$ 8,817,381</u>	<u>\$ 1,958,795</u>	<u>\$ 2,193,864</u>	<u>\$ 12,970,040</u>

See notes to financial statements.

VINTON-SHELLSBURG 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	\$ 2,694,273
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,548,805
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	404,270
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(93,467)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(13,566,435)</u>
Net assets of governmental activities	\$ <u><u>10,987,446</u></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, 2009

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 4,306,789	\$ 1,068,648	\$ 1,352,792	\$ 6,728,229
Tuition	320,875	-	-	320,875
Other	233,344	12,291	612,644	858,279
State sources	9,895,643	-	915	9,896,558
Federal sources	589,348	-	-	589,348
Total revenues	<u>15,345,999</u>	<u>1,080,939</u>	<u>1,966,351</u>	<u>18,393,289</u>
Expenditures:				
Current:				
Instruction	11,005,391	-	795,205	11,800,596
Support services:				
Student services	465,574	-	-	465,574
Instructional staff services	456,673	-	140,987	597,660
Administration services	1,370,879	-	-	1,370,879
Operation and maintenance of plant services	1,056,174	-	81,638	1,137,812
Transportation services	498,341	-	166,993	665,334
	<u>3,847,641</u>	<u>-</u>	<u>389,618</u>	<u>4,237,259</u>
Other expenditures:				
Facilities acquisition	-	-	271,861	271,861
Long term debt:				
Principal	-	-	595,000	595,000
Interest and fiscal charges	-	-	586,688	586,688
AEA flowthrough	663,597	-	-	663,597
	<u>663,597</u>	<u>-</u>	<u>1,453,549</u>	<u>2,117,146</u>
Total expenditures	<u>15,516,629</u>	<u>-</u>	<u>2,638,372</u>	<u>18,155,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170,630)</u>	<u>1,080,939</u>	<u>(672,021)</u>	<u>238,288</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Interfund transfers in (note 3)	\$ -	\$ -	\$ 845,950	\$ 845,950
Interfund transfers out (note 3)	-	(845,950)	-	(845,950)
Total other financing sources (uses)	<u>-</u>	<u>(845,950)</u>	<u>845,950</u>	<u>-</u>
Net change in fund balances	(170,630)	234,989	173,929	238,288
Fund balances beginning of year	<u>(230,881)</u>	<u>1,723,806</u>	<u>963,060</u>	<u>2,455,985</u>
Fund balances end of year	<u>\$ (401,511)</u>	<u>\$ 1,958,795</u>	<u>\$ 1,136,989</u>	<u>\$ 2,694,273</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, 2009

Net change in fund balances - total governmental funds \$ 238,288

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 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:

Expenditures for capital assets	\$ 385,189	
Depreciation expense	<u>(585,846)</u>	(200,657)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 595,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 3,844

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	<u>41,347</u>
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Change in net assets of governmental activities \$ 677,822

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 198,605	\$ 8,359	\$ 206,964
Accounts receivable	208	1,165	1,373
Inventories	17,270	-	17,270
Capital assets, net of accumulated depreciation	261,589	-	261,589
Total assets	<u>477,672</u>	<u>9,524</u>	<u>487,196</u>
Liabilities			
Accounts payable	166	-	166
Salaries and benefits payable	46,978	-	46,978
Deferred revenue	9,761	-	9,761
Total liabilities	<u>56,905</u>	<u>-</u>	<u>56,905</u>
Net Assets			
Invested in capital assets	261,589	-	261,589
Unrestricted	159,178	9,524	168,702
Total net assets	<u>\$ 420,767</u>	<u>\$ 9,524</u>	<u>\$ 430,291</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 396,226	\$ 16,510	\$ 412,736
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	243,349	16,913	260,262
Benefits	110,817	2,356	113,173
Purchased services	12,162	-	12,162
Supplies	368,672	419	369,091
Depreciation	29,162	-	29,162
	<u>764,162</u>	<u>19,688</u>	<u>783,850</u>
Operating loss	<u>(367,936)</u>	<u>(3,178)</u>	<u>(371,114)</u>
Non-operating revenues:			
Interest on investments	305	88	393
Capital contributions	1,924	-	1,924
State sources	8,864	-	8,864
Federal sources	340,885	-	340,885
Total non-operating revenues	<u>351,978</u>	<u>88</u>	<u>352,066</u>
Change in net assets	(15,958)	(3,090)	(19,048)
Net assets beginning of year	<u>436,725</u>	<u>12,614</u>	<u>449,339</u>
Net assets end of year	<u>\$ 420,767</u>	<u>\$ 9,524</u>	<u>\$ 430,291</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	School Nutrition	Nonmajor Enterprise	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 377,512	\$ -	\$ 377,512
Cash received from miscellaneous operating activities	13,524	15,345	28,869
Cash payments to employees for services	(352,178)	(19,269)	(371,447)
Cash payments to suppliers for goods or services	(349,958)	(430)	(350,388)
Net cash used by operating activities	<u>(311,100)</u>	<u>(4,354)</u>	<u>(315,454)</u>
Cash flows from non-capital financing activities:			
State grants received	8,864	-	8,864
Federal grants received	332,113	-	332,113
Net cash provided by non-capital financing activities	<u>340,977</u>	<u>-</u>	<u>340,977</u>
Cash flows from investing activities:			
Interest on investments	<u>305</u>	<u>88</u>	<u>393</u>
Net increase (decrease) in cash and cash equivalents	30,182	(4,266)	25,916
Cash and cash equivalents beginning of year	<u>168,423</u>	<u>12,625</u>	<u>181,048</u>
Cash and cash equivalents end of year	<u>\$ 198,605</u>	<u>\$ 8,359</u>	<u>\$ 206,964</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (367,936)	\$ (3,178)	\$ (371,114)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	29,162	-	29,162
Commodities used	45,930	-	45,930
(Increase) decrease in accounts receivable	802	(1,165)	(363)
(Increase) in inventories	(1,761)	-	(1,761)
(Decrease) in accounts payable	(13,293)	(11)	(13,304)
Increase in salaries and benefits payable	1,988	-	1,988
(Decrease) in deferred revenue	(5,992)	-	(5,992)
Net cash used by operating activities	<u>\$ (311,100)</u>	<u>\$ (4,354)</u>	<u>\$ (315,454)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$45,930 of federal commodities. The District's School Nutrition Fund also received a contribution of equipment from the District's Special Revenue, Physical Plant and Equipment Levy Fund valued at \$1,924.

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$ 66,756	
Accounts receivable		<u>42</u>
Total assets		<u>66,798</u>
Liabilities:		
Accounts payable		<u>186</u>
Net assets:		
Reserved for scholarships	\$	<u><u>66,612</u></u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2009

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 152,218	
Interest	<u>475</u>	
Total additions		<u>152,693</u>
Deductions:		
Instruction:		
Supplies		<u>154,446</u>
Change in net assets		(1,753)
Net assets beginning of year		<u>68,365</u>
Net assets end of year		<u>\$ 66,612</u>
See notes to financial statements.		

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

District-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 service.

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 attributable to the acquisition, construction, or improvement of those assets.

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 District-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 general 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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 assets and changes in net assets. 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 and other activities.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable – Property tax in governmental funds is 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. 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 District-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, 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.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities 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 District-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	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible 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 represents 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, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned grant revenues, and unearned meal revenues.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and personal days during the fiscal year. A liability is recorded when incurred in the District-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, 2009.

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.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-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. Net assets restricted through enabling legislation as of June 30, 2009 consists of \$1,347,108.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction function exceeded the amount budgeted.

Note 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.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 2. Cash and Pooled Investments (continued)

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

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>4,050,600</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 Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

The detail of interfund 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	\$ <u>845,950</u>

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 4. Iowa Schools 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. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2009-10A	6/25/2009	6/23/2010	\$ <u>1,980,876</u>	\$ <u>219</u>	\$ <u>1,950,000</u>	\$ <u>668</u>	\$ <u>37,748</u>

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. In addition, the District 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. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2008-09A	\$ <u>-</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>-</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 4. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2009-10A	2.50%	0.902%

Note 5. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 86,215	\$ -	\$ -	\$ 86,215
Capital assets being depreciated:				
Buildings	25,484,723	71,709	-	25,556,432
Improvements other than buildings	492,366	123,080	-	615,446
Furniture and equipment	1,231,087	190,400	122,904	1,298,583
Total capital assets being depreciated	<u>27,208,176</u>	<u>385,189</u>	<u>122,904</u>	<u>27,470,461</u>
Less accumulated depreciation for:				
Buildings	4,256,965	492,423	-	4,749,388
Improvements other than buildings	334,064	19,305	-	353,369
Furniture and equipment	953,900	74,118	122,904	905,114
Total accumulated depreciation	<u>5,544,929</u>	<u>585,846</u>	<u>122,904</u>	<u>6,007,871</u>
Total capital assets being depreciated, net	<u>21,663,247</u>	<u>(200,657)</u>	<u>-</u>	<u>21,462,590</u>
Governmental activities capital assets, net	<u>\$ 21,749,462</u>	<u>\$ (200,657)</u>	<u>\$ -</u>	<u>\$ 21,548,805</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 416,946	\$ 1,924	\$ -	\$ 418,870
Less accumulated depreciation	128,119	29,162	-	157,281
Business-type activities capital assets, net	<u>\$ 288,827</u>	<u>\$ (27,238)</u>	<u>\$ -</u>	<u>\$ 261,589</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:		
Instruction		\$ 7,742
Support services:		
Operation and maintenance of plant services		4,516
Transportation		61,860
		<u>74,118</u>
Unallocated depreciation		<u>511,728</u>
Total governmental activities depreciation expense		<u>\$ 585,846</u>
Business-type activities:		
Enterprise operations		<u>\$ 29,162</u>

Note 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	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 14,085,000	\$ -	\$ 595,000	\$ 13,490,000	\$ 610,000
Early retirement	117,782	76,435	117,782	76,435	76,435
Total	<u>\$ 14,202,782</u>	<u>\$ 76,435</u>	<u>\$ 712,782</u>	<u>\$ 13,566,435</u>	<u>\$ 686,435</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is 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, 2009, the District has obligations to seven participants with a total liability of \$76,435. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$117,782. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated December 1, 2004			Issue Dated May 1, 2005		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2010	4.00 %	\$ 255,000	\$ 210,305	4.250 %	\$ 355,000	\$ 350,496
2011	4.00	265,000	200,105	4.250	370,000	335,408
2012	4.00	275,000	189,505	4.250	385,000	319,682
2013	4.25	290,000	178,505	4.250	400,000	303,320
2014	4.25	300,000	166,180	4.250	420,000	286,320
2015	3.65	315,000	153,430	4.250	435,000	268,470
2016	3.75	325,000	141,933	4.250	450,000	249,982
2017	3.85	340,000	129,745	4.000	470,000	230,858
2018	3.95	355,000	116,655	4.000	490,000	212,058
2019	4.05	365,000	102,632	4.000	510,000	192,458
2020	4.10	385,000	87,850	4.100	530,000	172,058
2021	4.15	400,000	72,065	4.150	555,000	150,328
2022	4.20	420,000	55,465	4.250	575,000	127,296
2023	4.25	435,000	37,825	4.300	605,000	102,858
2024	4.25	455,000	19,338	4.350	630,000	76,842
2025	-	-	-	4.375	1,130,000	49,438
		<u>\$ 5,180,000</u>	<u>\$ 1,861,538</u>		<u>\$ 8,310,000</u>	<u>\$ 3,427,872</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Total	
	Principal	Interest
2010	\$ 610,000	\$ 560,801
2011	635,000	535,513
2012	660,000	509,187
2013	690,000	481,825
2014	720,000	452,500
2015	750,000	421,900
2016	775,000	391,915
2017	810,000	360,603
2018	845,000	328,713
2019	875,000	295,090
2020	915,000	259,908
2021	955,000	222,393
2022	995,000	182,761
2023	1,040,000	140,683
2024	1,085,000	96,180
2025	1,130,000	49,438
	<u>\$ 13,490,000</u>	<u>\$ 5,289,410</u>

During the year ended June 30, 2009, the District retired \$595,000 of bonds.

Note 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 for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$706,254, \$646,441, and \$591,112, respectively, equal to the required contributions for each year.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 8. Risk Management

Vinton-Shellsburg 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.

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 \$663,597 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Contingent Liability

The District is involved in an ongoing lawsuit alleging improper contact between a District employee and a former student. The litigation is in the discovery process. The outcome of this lawsuit cannot be predicted at this time and the District's insurance carrier is affording coverage.

Note 11. Financial Condition

The District had an unrestricted net asset deficit of \$377,262 and an unreserved, undesignated major fund, General Fund deficit balance of \$401,511 at June 30, 2009. In addition, the Special Revenue, Student Activity Fund had several accounts with deficit balances at year end.

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, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Fund - Actual		Original	Final	
REVENUES:						
Local sources	\$ 7,907,383	\$ 415,053	\$ 8,322,436	\$ 8,354,576	\$ 8,354,576	\$ (32,140)
State sources	9,896,558	8,864	9,905,422	9,858,690	9,858,690	46,732
Federal sources	589,348	340,885	930,233	785,000	785,000	145,233
Total revenues	18,393,289	764,802	19,158,091	18,998,266	18,998,266	159,825
EXPENDITURES/EXPENSES:						
Instruction	11,800,596	-	11,800,596	11,057,548	11,557,548	(243,048)
Support services	4,237,259	-	4,237,259	4,354,037	4,654,037	416,778
Non-instructional programs	-	783,850	783,850	817,500	817,500	33,650
Other expenditures	2,117,146	-	2,117,146	2,954,603	2,954,603	837,457
Total expenditures/expenses	18,155,001	783,850	18,938,851	19,183,688	19,983,688	1,044,837
Excess (deficiency) of revenues over (under) expenditures/ expenses	238,288	(19,048)	219,240	(185,422)	(985,422)	1,204,662
Balance beginning of year	2,455,985	449,339	2,905,324	1,222,434	1,222,434	1,682,890
Balance end of year	\$ <u>2,694,273</u>	\$ <u>430,291</u>	\$ <u>3,124,564</u>	\$ <u>1,037,012</u>	\$ <u>237,012</u>	\$ <u>2,887,552</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2009

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 the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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 by \$800,000.

During the year ended June 30, 2009, expenditures in the instruction function exceeded the amount budgeted.

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Other Supplementary Information

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 238,632	\$ 248,968	\$ 576,384	\$ 44,894	\$ 1,108,878
Receivables:					
Property tax:					
Current year	6,236	-	4,389	5,444	16,069
Succeeding year	357,000	-	252,000	105,000	714,000
Income surtax	-	-	336,892	-	336,892
Accounts	-	15,525	2,500	-	18,025
Total assets	\$ <u>601,868</u>	\$ <u>264,493</u>	\$ <u>1,172,165</u>	\$ <u>155,338</u>	\$ <u>2,193,864</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,701	\$ 3,282	\$ -	\$ -	\$ 5,983
Deferred revenue:					
Succeeding year property tax	357,000	-	252,000	105,000	714,000
Other	-	-	336,892	-	336,892
Total liabilities	359,701	3,282	588,892	105,000	1,056,875
Fund balances:					
Reserved for:					
Debt service	-	-	-	50,338	50,338
Unreserved:					
Undesignated	242,167	261,211	583,273	-	1,086,651
Total fund balances	242,167	261,211	583,273	50,338	1,136,989
Total liabilities and fund balances	\$ <u>601,868</u>	\$ <u>264,493</u>	\$ <u>1,172,165</u>	\$ <u>155,338</u>	\$ <u>2,193,864</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, 2009

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 375,120	\$ -	\$ 643,191	\$ 334,481	\$ 1,352,792
Other	28,712	561,167	21,414	1,351	612,644
State sources	349	-	253	313	915
Total revenues	404,181	561,167	664,858	336,145	1,966,351
Expenditures:					
Current:					
Instruction	228,919	566,286	-	-	795,205
Support services:					
Instructional staff services	-	-	140,987	-	140,987
Operation and maintenance of plant services	81,638	-	-	-	81,638
Transportation services	18,834	-	148,159	-	166,993
Other expenditures:					
Facilities acquisition	-	-	271,861	-	271,861
Long term debt:					
Principal	-	-	-	595,000	595,000
Interest and fiscal charges	-	-	-	586,688	586,688
Total expenditures	329,391	566,286	561,007	1,181,688	2,638,372
Excess (deficiency) of revenues over (under) expenditures	74,790	(5,119)	103,851	(845,543)	(672,021)
Other financing sources (uses):					
Interfund transfers in	-	-	-	845,950	845,950
Net change in fund balances	74,790	(5,119)	103,851	407	173,929
Fund balances beginning of year	167,377	266,330	479,422	49,931	963,060
Fund balances end of year	\$ 242,167	\$ 261,211	\$ 583,273	\$ 50,338	\$ 1,136,989

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, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Life Skills - Sp Ed	\$ 1,466	\$ -	\$ -	1,466
General Athletics	34,779	51,997	25,035	61,741
Activity Bus	337	-	-	337
Health	6,413	1,602	898	7,117
Interest	26,601	-	15,061	11,540
Shellsburg Yearbook	1,729	1,145	1,112	1,762
Shellsburg Activities	6,184	1,851	2,676	5,359
Shellsburg St Council	5,383	3,389	2,405	6,367
Shellsburg Picture	4,308	726	-	5,034
Shellsburg Keyboard	652	-	-	652
Coach Boys Basketball	3,831	8,377	9,086	3,122
Coach Boys Football	22,942	20,545	26,399	17,088
Coach Boys Baseball	13,191	11,943	18,058	7,076
Coach Cross Country	927	3,531	1,750	2,708
Coach Boys Golf	907	771	388	1,290
Coach Boys Swimming	-	826	2,005	(1,179)
Coach Boys Wrestling	2,925	13,113	12,243	3,795
Coach Girls Basketball	1,369	10,790	10,302	1,857
Coach Girls Volleyball	4,937	14,427	17,180	2,184
Coach Girls Softball	9,469	16,211	20,029	5,651
Coach Track	99	11,095	11,581	(387)
Coach Girls Golf	834	508	698	644
Coach Girls Swimming	537	2,443	3,618	(638)
Fine Arts Sponsors	9	12,950	12,950	9
Coach Speech	74	-	-	74
Act Tickets - Elem	200	-	-	200
Invention Convention	330	-	-	330
Lunch - Elem	-	21,080	21,080	-
Activity Guidance	43	-	-	43
Special Project - Jump for Heart	110	-	110	-
West Activities	86	-	-	86
West Student Pictures	2,853	4,519	4,334	3,038
Special Olympics	(24)	3,674	3,651	(1)
Tilford Yearbook	161	3,241	3,446	(44)
Band JH	7,661	3,793	2,525	8,929
Magazines Sales	11,013	19,601	22,644	7,970
Tilford Concession	783	-	-	783
Tilford Activities	2,633	3,790	3,992	2,431

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
MS Act Tickets	\$ 200	\$ -	\$ -	200
FHA	37	-	-	37
MS Health Account	1,075	-	-	1,075
MS Student Council	4,231	1,464	915	4,780
MS Student Pictures	4,166	855	1,207	3,814
MS Act Lunch	-	9,984	9,984	-
Special Ed Activities	460	-	-	460
Boys Basketball	4,535	11,044	10,700	4,879
Boys Football	11,763	21,420	10,557	22,626
Boys Baseball	(6,651)	3,458	3,929	(7,122)
Boys Track	(369)	10,273	6,710	3,194
Boys Cross Country	537	433	2,006	(1,036)
Boys Golf	992	-	200	792
Boys Swimming	459	91	494	56
Boys Wrestling	772	5,167	4,609	1,330
Girls Basketball	2,413	7,428	7,379	2,462
Girls Volleyball	4	12,538	11,043	1,499
Girls Soccer	-	9,134	9,000	134
Girls Softball	(2,762)	7,033	6,937	(2,666)
Girls Track	801	2,845	6,678	(3,032)
Girls Cross Country	869	282	2,561	(1,410)
Girls Golf	65	23	391	(303)
Girls Swimming	(43)	1,724	1,736	(55)
Act Sales HS	119	-	-	119
Annual Yearbook	9,636	4,184	4,791	9,029
Band HS	4,930	5,256	2,362	7,824
Band Trip HS	11,536	33,056	42,945	1,647
Class of 2005	(36)	-	-	(36)
Class of 2006	89	-	-	89
Class of 2007	899	-	-	899
Class of 2008	3,443	-	420	3,023
Class of 2009	3,642	4,346	8,092	(104)
Class of 2010	(7)	9,609	5,098	4,504
Class of 2011	(252)	-	20	(272)
Weight Room	1,741	1,069	382	2,428
Student Council Activities	8,928	5,200	4,800	9,328
Vending Machine	4,809	-	3,335	1,474
Drill Team	1,127	3,598	3,757	968
HS Act Tickets	97	-	-	97
FFA	3,583	35,570	36,761	2,392
FHA	268	-	-	268

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Home Ec	\$ 25	\$ -	\$ -	\$ 25
Ambassador club	394	-	-	394
National Honor Society	2,842	2,336	2,845	2,333
Bus Professional Club	265	-	-	265
Science Club	96	-	-	96
HS Student Senate	3,452	3,119	2,689	3,882
HS Student Pictures	3,370	401	-	3,771
SADD	325	-	-	325
Theatre	(516)	3,268	4,782	(2,030)
Recycling Club	101	-	-	101
Vocal	2	59,585	57,147	2,440
Contest Speech	(47)	13,329	11,649	1,633
HS Act Lunch	(167)	12,134	11,948	19
HS Activities	702	-	-	702
Amateur Radio	1,381	-	-	1,381
Cheerleaders	247	11,973	10,171	2,049
Total	\$ 266,330	\$ 561,167	\$ 566,286	\$ 261,211

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 SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2009	2008	2007	2006
Revenues:				
Local sources:				
Local tax	\$ 6,728,229	\$ 6,407,663	\$ 6,402,129	\$ 6,136,279
Tuition	320,875	361,532	324,784	393,121
Other	858,279	925,172	1,378,600	1,179,174
State sources	9,896,558	9,854,962	9,260,071	8,991,721
Federal sources	589,348	557,670	768,620	550,651
Total revenues	<u>\$ 18,393,289</u>	<u>\$ 18,106,999</u>	<u>\$ 18,134,204</u>	<u>\$ 17,250,946</u>
Expenditures:				
Instruction	\$ 11,800,596	\$ 11,120,276	\$ 10,427,532	\$ 9,933,530
Support services:				
Student services	465,574	449,179	418,421	479,765
Instructional staff services	597,660	572,423	614,661	617,870
Administration services	1,370,879	1,429,175	1,452,973	1,370,228
Operation and maintenance of plant services	1,137,812	1,183,416	1,079,024	1,122,833
Transportation services	665,334	554,570	476,995	547,388
Other expenditures:				
Facilities acquisition	271,861	3,219,495	9,729,098	4,650,153
Long-term debt:				
Principal	595,000	570,000	700,000	570,000
Interest and fiscal charges	586,688	609,750	638,158	759,328
AEA flowthrough	663,597	630,193	601,807	577,210
Total expenditures	<u>\$ 18,155,001</u>	<u>\$ 20,338,477</u>	<u>\$ 26,138,669</u>	<u>\$ 20,628,305</u>

See accompanying independent auditor's report.

<u>2005</u>	<u>2004</u>
\$ 5,675,042	\$ 4,661,728
545,115	434,440
862,442	568,716
8,567,943	8,120,912
329,771	327,334
<u>\$ 15,980,313</u>	<u>\$ 14,113,130</u>
\$ 9,865,744	\$ 9,370,504
498,943	502,491
626,718	637,850
1,282,431	1,197,121
999,074	971,308
479,282	458,339
779,725	492,331
349,192	275,000
44,840	54,238
555,219	544,014
<u>\$ 15,481,168</u>	<u>\$ 14,503,196</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2009

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	\$ 51,120
National School Lunch Program	10.555	FY 09	289,367
Special Milk Program for Children	10.556	FY 09	398
			<u>340,885</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	6660-G-09	<u>197,936</u>
Improving Teacher Quality State Grants	84.367	FY 09	<u>165,336</u>
Grants for State Assessments and Related Activities	84.369	FY 09	<u>11,356</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 09	<u>5,565</u>
Reading First State Grants	84.357	FY 09	<u>75,000</u>
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	FY 09	<u>95,992</u>
			<u>551,185</u>
Total			<u>\$ 892,070</u>

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 on 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.

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
Vinton-Shellsburg 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 Vinton-Shellsburg 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 September 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Vinton-Shellsburg 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 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.

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 the 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.

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 Vinton-Shellsburg Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Vinton-Shellsburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Vinton-Shellsburg 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. We noted no material weaknesses during the course of our audit.

Compliance and Other Matters

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, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Vinton-Shellsburg Community School 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.

Vinton-Shellsburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Vinton-Shellsburg 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 Vinton-Shellsburg Community School District and other parties to whom Vinton-Shellsburg 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 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.

Oskaloosa, Iowa
September 17, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Vinton-Shellsburg Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Vinton-Shellsburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Vinton-Shellsburg Community School District's management. Our responsibility is to express an opinion on Vinton-Shellsburg Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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. Our audit does not provide a legal determination on Vinton-Shellsburg Community School District's compliance with those requirements.

In our opinion, Vinton-Shellsburg Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Vinton-Shellsburg Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Vinton-Shellsburg Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in a District's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We noted no material weaknesses during the course of this audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Vinton-Shellsburg Community School District and other parties to whom Vinton-Shellsburg 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.

Oskaloosa, Iowa
September 17, 2009

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified 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 10.556 – Special Milk Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Vinton-Shellsburg Community School District qualified as a low-risk auditee.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-09 Financial Reporting – During the audit, we identified material amounts of Proprietary Fund, School Nutrition transactions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all Proprietary Fund, School Nutrition transactions are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any School Nutrition Fund transactions.

Conclusion – Response accepted.

II-B-09 Disbursement Support – We noted in our testing of disbursements made by the District that two of forty transactions tested lacked fully detailed documentation for the underlying charges.

Recommendation – The disbursements were made to reimburse charges for employee travel. However, the supporting documentation for meal charges did not include details as to what was ordered. The District should require all employees to provide the detail charge slip when using a personal credit card while traveling in order to receive the employee reimbursement.

Response – These transactions were oversights. We will require the detailed meal receipts in the future for all employee reimbursements.

Conclusion – Response accepted.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

No matters were reported.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Statutory Reporting:

IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the instruction function.

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

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-B-09 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-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.

IV-D-09 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Pat Lyons, Board Vice President	Activity worker	\$ 140
Cal Rickels, spouse of Board Member Megan Rickels	Activity worker	\$ 20

In accordance with Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent a conflict of interest since the cumulative amounts were less than \$2,500 for the fiscal year.

IV-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.

IV-F-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-09 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-I-09 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.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

IV-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-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.5 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	\$	-
Statewide sales and services tax revenue		1,068,648
Expenditures/transfers out:		
None		<u>-</u>
Ending balance	\$	<u><u>1,068,648</u></u>

IV-L-09 Financial Condition – The District's governmental activities had a deficit unrestricted net assets balance of \$377,262, and the major fund, General Fund had an unreserved, undesignated deficit balance of \$401,511. In addition, the Special Revenue Fund, Student Activity had several individual accounts with deficit balances at year end.

Recommendation – The District should analyze the overall governmental and fund activities and search for ways to eliminate these deficits.

Response – We are working on this problem. We will continue in our efforts.

Conclusion – Response accepted.