

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

JUNE 30, 2010

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Villisca Community School District

Officials

<u>Name</u>	<u>Title</u>	Term Expires
Board of Education (Before September 2009 Election)		
Marvin Smith	President	2009
Jason Poston	Vice President	2011
Daniel Sorensen	Board Member	2009
John Baker	Board Member	2011
Blaine Sunderman	Board Member	2011
Board of Education (After September 2009 Election)		
Jason Poston	President	2011
Marvin Smith	Vice President	2013
Daniel Sorensen	Board Member	2013
John Baker	Board Member	2011
Blaine Sunderman	Board Member	2011
School Officials		
William Stone	Superintendent	2010
Jessie Forsythe	Board Secretary/ Business Manager	2010
Ahlers & Cooney, P.C.	Attorney	2010

VILLISCA COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Villisca Community School District, Villisca, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Villisca Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

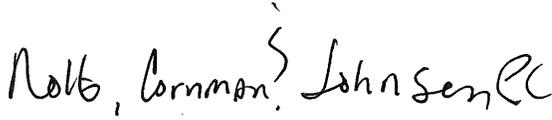
In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2011 on our consideration of the Villisca Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information

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required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Villisca Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Villisca Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,536,177 in fiscal 2009 to \$3,598,196 in fiscal 2010, while General Fund expenditures also increased from \$3,550,090 in fiscal 2009 to \$3,672,228 in fiscal 2010. The result is a decrease in the District's General Fund balance from \$185,880 in fiscal 2009 to a balance of \$111,848 in fiscal 2010, a decrease of 39.83% from the prior year.
- Board approval of \$40,000 of Statewide Sales, Service and Use Tax income toward payment of outstanding General Obligation Bond indebtedness helps reduce the property tax rate for patrons.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased as compared to fiscal 2009. At June 30, 2009 the District's solvency ratio was 4.11% as compared to 0.97% at June 30, 2010. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

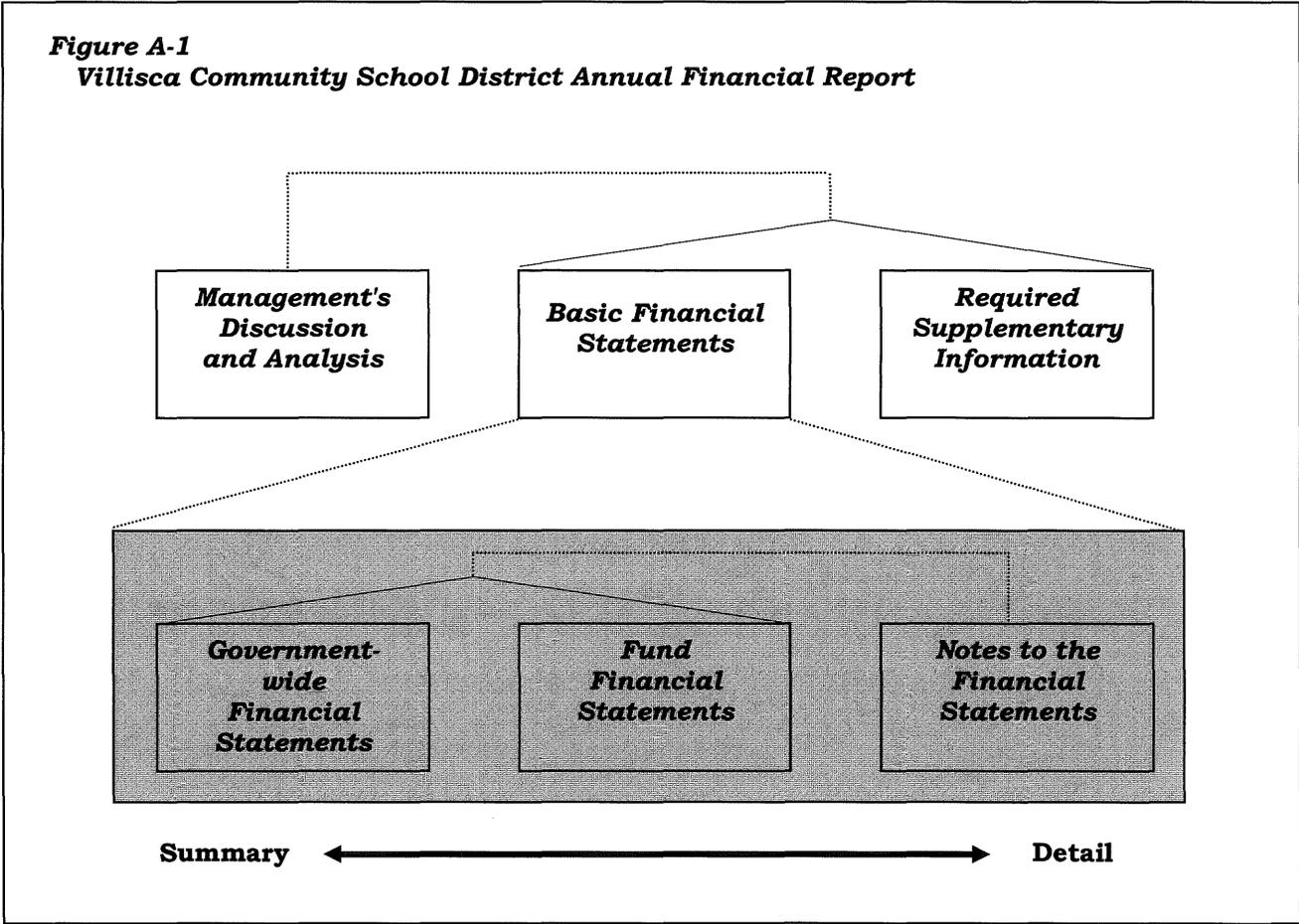


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is a trustee, or fiduciary, for assets that belong to others. The Private-Purpose Trust Fund would be the District's only fiduciary fund.

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 3,616,432	7,038,429	21,232	16,146	3,637,664	7,054,575	-48.44%
Capital assets	3,759,537	3,687,039	34,261	33,133	3,793,798	3,720,172	1.98%
Total assets	7,375,969	10,725,468	55,493	49,279	7,431,462	10,774,747	-31.03%
Long-term obligations	2,252,856	4,605,142	0	0	2,252,856	4,605,142	-51.08%
Other liabilities	2,257,251	3,063,698	1,623	1,623	2,258,874	3,065,321	-26.31%
Total liabilities	4,510,107	7,668,840	1,623	1,623	4,511,730	7,670,463	-41.18%
Net assets:							
Invested in capital assets, net of related debt	1,524,537	1,292,898	34,261	33,133	1,558,798	1,326,031	17.55%
Restricted	1,262,460	1,593,773	0	0	1,262,460	1,593,773	-20.79%
Unrestricted	78,865	169,957	19,609	14,523	98,474	184,480	-46.62%
Total net assets	\$ 2,865,862	3,056,628	53,870	47,656	2,919,732	3,104,284	-5.95%

The District's combined net assets decreased by 5.95%, or \$184,552, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. In prior years, the expendable trust (which is a governmental fund) assets were included in the government wide financial statements, but with the reclassification to a private purpose trust (which is a fiduciary fund) the assets are not included. The amount of the decrease in combined net assets due to this reclassification is \$178,126.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$331,313 or 20.79% over to the prior year. The decrease in restricted net assets can be mainly attributable to the decrease in fund balance for the Management Levy Fund and the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$86,006 or 23.92%. The decrease in unrestricted net assets can be attributed to the decrease in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the years ended June 30, 2010 compared to June 30, 2009.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 197,497	246,886	87,665	102,368	285,162	349,254	-18.35%
Operating grants and contributions and restricted interest	927,452	674,025	126,063	105,165	1,053,515	779,190	35.21%
General revenues:							
Local tax	1,652,486	1,564,658	0	0	1,652,486	1,564,658	5.61%
Statewide sales, services and use tax	230,813	222,115	0	0	230,813	222,115	3.92%
Unrestricted state grants	1,273,390	1,522,180	0	0	1,273,390	1,522,180	-16.34%
Other	136,424	154,952	11,445	23	147,869	154,975	-4.59%
Transfers	(178,126)	0	0	0	(178,126)	0	-100.00%
Total revenues & transfers	4,239,936	4,384,816	225,173	207,556	4,465,109	4,592,372	-2.77%
Program expenses:							
Governmental activities:							
Instructional	2,609,900	2,584,192	0	0	2,609,900	2,584,192	0.99%
Support services	1,324,886	1,117,514	0	3,380	1,324,886	1,120,894	18.20%
Non-instructional programs	604	6,656	218,959	207,415	219,563	214,071	2.57%
Other expenses	495,312	555,633	0	0	495,312	555,633	-10.86%
Total expenses	4,430,702	4,263,995	218,959	210,795	4,649,661	4,474,790	3.91%
Changes in net assets	(190,766)	120,821	6,214	(3,239)	(184,552)	117,582	-256.96%
Net assets beginning of year	3,056,628	2,935,807	47,656	50,895	3,104,284	2,986,702	3.94%
Net assets end of year	\$ 2,865,862	3,056,628	53,870	47,656	2,919,732	3,104,284	-5.95%

In fiscal 2010, local tax and unrestricted state grants account for 69.01% of the revenue from governmental activities while charges for services and operating grants and contributions account for 94.92% of the revenue from business type activities.

The District's total revenues were \$4,465,109 of which \$4,239,936 was for governmental activities and \$225,173 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.77% decrease in revenues and a 3.91% increase in expenses. The increase in expenses was a result of the increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$4,239,936 and expenses were \$4,430,702. In a difficult budget year, the District attempted to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 2,609,900	2,584,192	0.99%	1,641,385	1,806,102	-9.12%
Support services	1,324,886	1,117,514	18.56%	1,324,886	1,116,779	18.63%
Non-instructional	604	6,656	-90.93%	604	6,656	-90.93%
Other expenses	495,312	555,633	-10.86%	338,878	413,547	-18.06%
Totals	\$ 4,430,702	4,263,995	3.91%	3,305,753	3,343,084	-1.12%

- The cost financed by users of the District's programs was \$197,497.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$927,452.
- The net cost of governmental activities was financed with \$1,652,486 in local tax, \$230,813 in statewide sales, services and use tax, \$1,273,390 in unrestricted state grants, \$115,959 in interest income, and \$20,465 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$225,173 and expenses were \$218,959. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and capital contributions.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,317,244, from last year's ending fund balances of a \$3,955,182. The main factor in the decrease in combined fund balances was due to the decrease in fund balance for the Debt Service Fund due to the principal payoff required for the District's crossover refunding bond issuance.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. The difference between fiscal 2010 revenues of \$3,598,196 and expenses of \$3,672,228 results in a net decrease in fund balance of \$74,032. As a result, the District's General Fund balance decreased from \$185,880 in fiscal 2009 to a balance of \$111,848 in fiscal 2010.
- The District's Capital Projects Fund decreased from \$809,905 in 2009 to \$625,529 in 2010, due to an increase in expenditures during the 2010 fiscal year as compared to the previous year.

- The District's Debt Service Fund decreased from \$2,290,904 in 2009 to \$128,066 in 2010. The reason for the dramatic decrease in fund balance is due to the payoff of the crossover refunding bond issuance.

- **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$47,656 at June 30, 2009 to \$53,870 at June 30, 2010, representing an increase of approximately 13.04%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$304,471 less than budgeted revenues, a variance of 6.15%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$3,793,798, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.98% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$164,675.

The original cost of the District's capital assets was \$6,194,069. Governmental funds account for \$6,020,876 with the remainder of \$173,193 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. This District's land improvements totaled \$6,803 at June 30, 2009, compared to \$11,399 reported at June 30, 2010. This net increase resulted from the new fencing that was installed around the football field during the year.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	2009-10
Land	\$ 18,650	18,650	0	0	18,650	18,650	0.00%
Buildings	3,456,414	3,490,349	0	0	3,456,414	3,490,349	-0.97%
Land improvements	11,399	6,803	0	0	11,399	6,803	67.56%
Machinery and equipment	273,074	171,237	34,261	33,133	307,335	204,370	50.38%
Total	\$ 3,759,537	3,687,039	34,261	33,133	3,793,798	3,720,172	1.98%

Long-Term Debt

At June 30, 2010, the District had long-term debt outstanding of \$2,252,856 in general obligation bonds, early retirement, and net OPEB liability. This represents a decrease of 51.08% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total		Total
	School District		Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	2,235,000	4,575,000	-51.15%
Early retirement	0	30,142	-100.00%
Net OPEB liability	17,856	0	100.00%
Total	<u>\$ 2,252,856</u>	<u>4,605,142</u>	<u>-51.08%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

VILLISCA COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,666,081	16,940	1,683,021
Receivables:			
Property tax:			
Delinquent	24,746	0	24,746
Succeeding year	1,689,196	0	1,689,196
Income surtax	56,485	0	56,485
Accounts	8,370	0	8,370
Due from other governments	171,554	0	171,554
Inventories	0	4,292	4,292
Capital assets, net of accumulated depreciation	3,759,537	34,261	3,793,798
Total Assets	7,375,969	55,493	7,431,462
Liabilities			
Accounts payable	149,889	0	149,889
Salaries and benefits payable	349,548	0	349,548
Accrued interest payable	14,548	0	14,548
Deferred revenue:			
Succeeding year property tax	1,689,196	0	1,689,196
Other	54,070	0	54,070
Unearned revenues	0	1,623	1,623
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	185,000	0	185,000
Portion due after one year:			
General obligation bonds	2,050,000	0	2,050,000
Net OPEB liability	17,856	0	17,856
Total Liabilities	4,510,107	1,623	4,511,730
Net Assets			
Invested in capital assets, net of related debt	1,524,537	34,261	1,558,798
Restricted for:			
Categorical funding	57,064	0	57,064
Management levy	203,780	0	203,780
Physical plant & equipment levy	206,148	0	206,148
Capital projects	625,529	0	625,529
Debt service	128,066	0	128,066
Other special revenue purposes	41,873	0	41,873
Unrestricted	78,865	19,609	98,474
Total Net Assets	\$ 2,865,862	53,870	2,919,732

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,587,253	48,047	588,836	(950,370)	0	(950,370)
Special	446,216	10,620	76,594	(359,002)	0	(359,002)
Other	576,431	138,830	105,588	(332,013)	0	(332,013)
	<u>2,609,900</u>	<u>197,497</u>	<u>771,018</u>	<u>(1,641,385)</u>	<u>0</u>	<u>(1,641,385)</u>
Support services:						
Student	92,715	0	0	(92,715)	0	(92,715)
Instructional staff	206,626	0	0	(206,626)	0	(206,626)
Administration	458,578	0	0	(458,578)	0	(458,578)
Operation and maintenance of plant	374,042	0	0	(374,042)	0	(374,042)
Transportation	192,925	0	0	(192,925)	0	(192,925)
	<u>1,324,886</u>	<u>0</u>	<u>0</u>	<u>(1,324,886)</u>	<u>0</u>	<u>(1,324,886)</u>
Non-instructional services:						
Food service operations	604	0	0	(604)	0	(604)
Other expenditures:						
Facilities acquisitions	47,941	0	0	(47,941)	0	(47,941)
Long-term debt interest	195,743	0	0	(195,743)	0	(195,743)
AEA flowthrough	156,434	0	156,434	0	0	0
Depreciation (unallocated)*	95,194	0	0	(95,194)	0	(95,194)
	<u>495,312</u>	<u>0</u>	<u>156,434</u>	<u>(338,878)</u>	<u>0</u>	<u>(338,878)</u>
Total governmental activities	<u>4,430,702</u>	<u>197,497</u>	<u>927,452</u>	<u>(3,305,753)</u>	<u>0</u>	<u>(3,305,753)</u>
Business Type activities:						
Non-instructional programs:						
Nutrition services	218,959	87,665	126,063	0	(5,231)	(5,231)
Total business type activities	<u>218,959</u>	<u>87,665</u>	<u>126,063</u>	<u>0</u>	<u>(5,231)</u>	<u>(5,231)</u>
Total	<u>\$ 4,649,661</u>	<u>285,162</u>	<u>1,053,515</u>	<u>(3,305,753)</u>	<u>(5,231)</u>	<u>(3,310,984)</u>
General Revenues & Transfers:						
Local tax for:						
General purposes				\$ 1,352,702	0	1,352,702
Debt services				187,805	0	187,805
Capital outlay				39,209	0	39,209
Statewide sales, service and use tax				230,813	0	230,813
Income surtax				72,770	0	72,770
Unrestricted state grants				1,273,390	0	1,273,390
Unrestricted investment earnings				115,959	20	115,979
Other				20,465	11,425	31,890
Transfers				(178,126)	0	(178,126)
Total general revenues & transfers				<u>3,114,987</u>	<u>11,445</u>	<u>3,126,432</u>
Change in net assets				(190,766)	6,214	(184,552)
Net assets beginning of year				<u>3,056,628</u>	<u>47,656</u>	<u>3,104,284</u>
Net assets end of year				<u>\$ 2,865,862</u>	<u>53,870</u>	<u>2,919,732</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments	\$ 468,702	620,802	125,124	451,453	1,666,081
Receivables:					
Property tax:					
Delinquent	20,410	0	2,942	1,394	24,746
Succeeding year	1,569,796	0	0	119,400	1,689,196
Income surtax	0	0	0	56,485	56,485
Accounts	8,278	0	0	92	8,370
Due from other governments	79,928	91,626	0	0	171,554
Total Assets	\$ 2,147,114	712,428	128,066	628,824	3,616,432
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 61,852	86,899	0	1,138	149,889
Salaries and benefits payable	349,548	0	0	0	349,548
Deferred revenue:					
Succeeding year property tax	1,569,796	0	0	119,400	1,689,196
Income surtax	0	0	0	56,485	56,485
Other	54,070	0	0	0	54,070
Total liabilities	2,035,266	86,899	0	177,023	2,299,188
Fund balances:					
Reserved for:					
Debt service	0	0	128,066	0	128,066
Categorical funding	57,064	0	0	0	57,064
Designated for special purposes by the board	20,000	0	0	0	20,000
Unreserved reported in:					
General fund	34,784	0	0	0	34,784
Special revenue funds	0	0	0	451,801	451,801
Capital projects fund	0	625,529	0	0	625,529
Total fund balances	111,848	625,529	128,066	451,801	1,317,244
Total Liabilities and Fund Balances	\$ 2,147,114	712,428	128,066	628,824	3,616,432

VILLISCA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$	1,317,244
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,759,537
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(14,548)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		56,485
Long-term liabilities, including general obligation bonds payable and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,252,856)</u>
Net assets of governmental activities (page 18)	\$	<u>2,865,862</u>

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,302,899	230,813	187,805	161,086	1,882,603
Tuition	42,805	0	0	0	42,805
Other	69,015	3,058	87,272	148,959	308,304
State sources	1,775,325	0	120	57	1,775,502
Federal sources	408,152	0	0	0	408,152
Total revenues	3,598,196	233,871	275,197	310,102	4,417,366
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,542,053	14,457	0	36,967	1,593,477
Special	444,757	0	0	0	444,757
Other	446,243	0	0	137,128	583,371
	2,433,053	14,457	0	174,095	2,621,605
Support services:					
Student	91,242	0	0	604	91,846
Instructional staff	100,564	133,780	0	5,401	239,745
Administration	426,288	13,779	400	15,529	455,996
Operation and maintenance of plant	332,522	2,531	0	35,927	370,980
Transportation	132,125	119,299	0	17,313	268,737
	1,082,741	269,389	400	74,774	1,427,304
Non-instructional:					
Food service operations	0	0	0	604	604
Other expenditures:					
Facilities acquisitions	0	94,401	0	19,395	113,796
Long-term debt:					
Principal	0	0	2,340,000	0	2,340,000
Interest and fiscal charges	0	0	217,435	0	217,435
AEA flowthrough	156,434	0	0	0	156,434
	156,434	94,401	2,557,435	19,395	2,827,665
Total expenditures	3,672,228	378,247	2,557,835	268,868	6,877,178
Excess(deficiency) of revenues over(under) expenditures	(74,032)	(144,376)	(2,282,638)	41,234	(2,459,812)
Other financing sources(uses):					
Transfers in	0	0	119,800	0	119,800
Transfers out	0	(40,000)	0	(257,926)	(297,926)
Total other financing sources(uses)	0	(40,000)	119,800	(257,926)	(178,126)
Net change in fund balances	(74,032)	(184,376)	(2,162,838)	(216,692)	(2,637,938)
Fund balances beginning of year	185,880	809,905	2,290,904	668,493	3,955,182
Fund balances end of year	\$ 111,848	625,529	128,066	451,801	1,317,244

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ (2,637,938)

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

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

Capital outlays	\$ 232,556	
Depreciation expense	<u>(160,058)</u>	72,498

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 696

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.
 Repaid 2,340,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 21,692

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.
 Early retirement 30,142
 Other postemployment benefits (17,856) 12,286

Changes in net assets of governmental activities (page 19) \$ (190,766)

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and cash equivalents	\$ 16,940
Inventories	4,292
Capital assets, net of accumulated depreciation	<u>34,261</u>
Total Assets	<u>55,493</u>
Liabilities	
Unearned revenues	<u>1,623</u>
Net Assets	
Invested in capital assets	34,261
Unrestricted	<u>19,609</u>
Total Net Assets	<u>\$ 53,870</u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 87,665
Miscellaneous	11,425
TOTAL OPERATING REVENUES	99,090
Non-instructional programs:	
Food service operations:	
Salaries	73,495
Benefits	10,291
Services	1,764
Supplies	128,792
Depreciation	4,617
	218,959
TOTAL OPERATING EXPENSES	218,959
OPERATING LOSS	(119,869)
NON-OPERATING REVENUES:	
Interest	20
State sources	2,084
Federal sources	123,979
TOTAL NON-OPERATING REVENUES	126,083
Change in net assets	6,214
Net assets beginning of year	47,656
Net assets end of year	\$ 53,870

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 87,973
Cash received from miscellaneous operating activities	11,425
Cash payments to employees for services	(84,094)
Cash payments to suppliers for goods or services	(119,190)
Net cash used in operating activities	(103,886)
Cash flows from non-capital financing activities:	
State grants received	2,084
Federal grants received	112,149
Net cash provided by non-capital financing activities:	114,233
Cash flows from investing activities:	
Interest on investments	20
Cash flows from capital financing activities:	
Purchase of assets	(5,745)
Net increase in cash and cash equivalents	4,622
Cash and cash equivalents at beginning of year	12,318
Cash and cash equivalents at end of year	\$ 16,940
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (119,869)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	11,830
Depreciation	4,617
Increase in inventories	(464)
Decrease in salaries and benefits payable	(308)
Increase in unearned revenue	308
Net cash used in operating activities	\$ (103,886)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$11,830.

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
ASSETS		
Cash and cash equivalents	\$ 174,490	
LIABILITIES		<u>0</u>
NET ASSETS		
Reserved for scholarships	\$ 174,490	<u><u>174,490</u></u>

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 2,264
	2,264
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	5,900
	5,900
Change in net assets before other financing sources	(3,636)
Other financing sources:	
Transfer in	178,126
	178,126
Change in net assets	174,490
Net assets beginning of year	0
	0
Net assets end of year	\$ 174,490
	174,490

VILLISCA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	150,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of

deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government obligations Portfolio which are valued at an amortized cost of \$11,839 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 40,000
Debt Service	Physical Plant and Equipment Levy	79,800
Private Purpose Trust	Expendable Trust	178,126
Total		<u>\$ 297,926</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School 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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the 2009-10A warrants was 2.50% The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. During the year ended June 30, 2010, the District had no ISCAP borrowings or repayments.

During the year ended June 30, 2010, the District paid \$16,809 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,650	0	0	18,650
Total capital assets not being depreciated	<u>18,650</u>	<u>0</u>	<u>0</u>	<u>18,650</u>
Capital assets being depreciated:				
Buildings	4,853,583	60,500	0	4,914,083
Land improvements	112,764	5,355	0	118,119
Machinery and equipment	803,323	166,701	0	970,024
Total capital assets being depreciated	<u>5,769,670</u>	<u>232,556</u>	<u>0</u>	<u>6,002,226</u>
Less accumulated depreciation for:				
Buildings	1,363,234	94,435	0	1,457,669
Land improvements	105,961	759	0	106,720
Machinery and equipment	632,086	64,864	0	696,950
Total accumulated depreciation	<u>2,101,281</u>	<u>160,058</u>	<u>0</u>	<u>2,261,339</u>
Total capital assets being depreciated, net	<u>3,668,389</u>	<u>72,498</u>	<u>0</u>	<u>3,740,887</u>
Governmental activities capital assets, net	<u>\$ 3,687,039</u>	<u>72,498</u>	<u>0</u>	<u>3,759,537</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 169,563	5,745	2,115	173,193
Less accumulated depreciation	136,430	4,617	2,115	138,932
Business type activities capital assets, net	<u>\$ 33,133</u>	<u>1,128</u>	<u>0</u>	<u>34,261</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 14,626
Other	5,748
Support services:	
Operation and maintenance of plant	1,003
Transportation	43,487
Unallocated depreciation	<u>95,194</u>
Total governmental activities depreciation expense	<u>\$ 160,058</u>
Business type activities:	
Food services	<u>\$ 4,617</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 4,575,000	0	2,340,000	2,235,000	185,000
Early retirement	30,142	0	30,142	0	0
Net OPEB liability	0	17,856	0	17,856	0
Total	\$ 4,605,142	17,856	2,370,142	2,252,856	185,000

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated December 1, 2005			
	Interest Rate	Principal	Interest	Total
2011	4.00	% \$ 185,000	87,285	272,285
2012	4.00	195,000	79,885	274,885
2013	4.00	200,000	72,085	272,085
2014	3.75	210,000	64,085	274,085
2015	3.75	220,000	56,210	276,210
2016	3.80	225,000	47,960	272,960
2017	3.85	230,000	39,410	269,410
2018	3.90	245,000	30,555	275,555
2019	4.00	255,000	21,000	276,000
2020	4.00	270,000	10,800	280,800
Total		\$ 2,235,000	509,275	2,744,275

Early Retirement

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

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State for the years ended June 30, 2009, 2008, 2007 statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$144,717, \$145,144, and \$133,168, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

The District implemented GASB statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 37 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 21,565
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>21,565</u>
Contributions made	<u>3,709</u>
Increase in net OPEB obligation	17,856
Net OPEB obligation beginning of year	0
Net OPEB obligation end of year	<u><u>\$ 17,856</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$21,565	17.2%	\$17,856

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was approximately \$194,733, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$194,733. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,565,774 and the ratio of the UAAL to covered payroll was 12.4%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific based. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2010 were \$11,667.

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

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$156,434 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 10,594
Dropout prevention	19,647
Teacher salary supplement	16,444
Market factor	3,078
Voluntary preschool program	2,372
Model core curriculum	1,959
Market factor incentives	2,970
Total	<u>\$ 57,064</u>

(12) Budget Overexpenditure

During the year ended June 30, 2010, District expenditures in the other expenditures functional area exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

VILLISCA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 2,233,712	99,110	2,332,822	2,494,904	2,494,904	(162,082)
State sources	1,775,502	2,084	1,777,586	2,167,106	2,167,106	(389,520)
Federal sources	408,152	123,979	532,131	285,000	285,000	247,131
Total revenues	<u>4,417,366</u>	<u>225,173</u>	<u>4,642,539</u>	<u>4,947,010</u>	<u>4,947,010</u>	<u>(304,471)</u>
Expenditures/Expenses:						
Instruction	2,621,605	0	2,621,605	2,982,602	2,982,602	360,997
Support services	1,427,304	0	1,427,304	1,836,156	1,836,156	408,852
Non-instructional programs	604	218,959	219,563	406,857	406,857	187,294
Other expenditures	2,827,665	0	2,827,665	1,148,338	1,148,338	(1,679,327)
Total expenditures/expenses	<u>6,877,178</u>	<u>218,959</u>	<u>7,096,137</u>	<u>6,373,953</u>	<u>6,373,953</u>	<u>(722,184)</u>
Excess(deficiency) of revenues over(under)expenditures/expenses	(2,459,812)	6,214	(2,453,598)	(1,426,943)	(1,426,943)	(1,026,655)
Balance beginning of year	<u>3,777,056</u>	<u>47,656</u>	<u>3,824,712</u>	<u>3,928,224</u>	<u>3,928,224</u>	<u>(103,512)</u>
Balance end of year	<u>\$ 1,317,244</u>	<u>53,870</u>	<u>1,371,114</u>	<u>2,501,281</u>	<u>2,501,281</u>	<u>(1,130,167)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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

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

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

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amounts budgeted.

VILLISCA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$194,733	\$194,733	0.0%	\$1,565,774	12.4%

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

OTHER SUPPLEMENTARY INFORMATION

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 203,575	42,344	205,534	451,453
Receivables:				
Property tax:				
Delinquent	780	0	614	1,394
Succeeding year	75,000	0	44,400	119,400
Income surtax	0	0	56,485	56,485
Accounts	0	92	0	92
Total Assets	\$ 279,355	42,436	307,033	628,824
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 575	563	0	1,138
Deferred revenue:				
Succeeding year property tax	75,000	0	44,400	119,400
Income surtax	0	0	56,485	56,485
Total liabilities	75,575	563	100,885	177,023
Unreserved fund balances	203,780	41,873	206,148	451,801
Total Liabilities and Fund Balances	\$ 279,355	42,436	307,033	628,824

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds				
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total
REVENUES:					
Local sources:					
Local tax	\$ 49,803	0	111,283	0	161,086
Other	10,277	137,824	858	0	148,959
State sources	32	0	25	0	57
TOTAL REVENUES	60,112	137,824	112,166	0	310,102
EXPENDITURES:					
Current:					
Instruction:					
Regular	36,967	0	0	0	36,967
Other	0	137,128	0	0	137,128
	36,967	137,128	0	0	174,095
Support services:					
Student support	604	0	0	0	604
Instructional staff	1,030	0	4,371	0	5,401
Administration	6,803	0	8,726	0	15,529
Operation and maintenance of plant	35,927	0	0	0	35,927
Transportation	17,313	0	0	0	17,313
	61,677	0	13,097	0	74,774
Non-instructional programs:					
Food service operations	604	0	0	0	604
Other expenditures:					
Facility acquisition	0	0	19,395	0	19,395
TOTAL EXPENDITURES	99,248	137,128	32,492	0	268,868
Excess(deficiency) of revenues over(under) expenditures	(39,136)	696	79,674	0	41,234
Other financing uses:					
Transfer out	0	0	(79,800)	(178,126)	(257,926)
Net change in fund balance	(39,136)	696	(126)	(178,126)	(216,692)
Fund balances beginning of year	242,916	41,177	206,274	178,126	668,493
Fund balances end of year	\$ 203,780	41,873	206,148	0	451,801

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama club	1,133	4,810	4,949	994
Music boosters	979	365	723	621
Track	76	14,615	14,576	115
Golf	65	350	363	52
Football	96	6,996	6,987	105
Volleyball	4,478	1,643	1,545	4,576
Athletics	76	1,600	1,577	99
Basketball	6,581	6,729	8,057	5,253
Activity tickets	964	2,737	3,400	301
Softball/baseball	93	4,193	3,882	404
Y-teens	2,855	10,565	9,561	3,859
FFA	1,120	21,571	17,328	5,363
Student activity pop	673	500	1,171	2
Science club	1,646	5,120	5,261	1,505
Cheerleaders	233	3,485	1,319	2,399
Student council	511	5,687	5,367	831
JH boosters	255	19	182	92
Destination Image	466	0	0	466
Annual staff	4,056	7,780	9,076	2,760
Dance team	4,962	7,058	7,947	4,073
Elementary club K-6	2,390	839	1,557	1,672
National honor society	507	1,584	932	1,159
Class of 2009	899	0	899	0
Class of 2010	3,601	648	2,980	1,269
Class of 2011	1,493	12,270	11,415	2,348
Class of 2012	200	745	630	315
Class of 2013	(179)	1,881	1,375	327
Class of 2014	(77)	0	0	(77)
Class of 2015	(43)	0	34	(77)
Class of 2016	0	0	19	(19)
Interest	1,017	496	1,005	508
Secondary student club	51	13,538	13,011	578
Total	<u>\$ 41,177</u>	<u>137,824</u>	<u>137,128</u>	<u>41,873</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund				
	Schroeder Scholarship	Nelson Foundation	Telephone Scholarship	Wright Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 10,164	2,727	81,839	79,760	174,490
LIABILITIES					
	0	0	0	0	0
NET ASSETS					
Reserved for scholarships	\$ 10,164	2,727	81,839	79,760	174,490

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund				
	Schroeder Scholarship	Nelson Foundation	Telephone Scholarship	Wright Scholarship	Total
ADDITIONS:					
Local sources:					
Interest	\$ 120	32	1,127	985	2,264
DEDUCTIONS:					
Instruction:					
Regular:					
Scholarships awarded	500	250	3,000	2,150	5,900
Change in net assets before other financing sources	(380)	(218)	(1,873)	(1,165)	(3,636)
Other financing sources:					
Transfer in	10,544	2,945	83,712	80,925	178,126
Change in net assets	10,164	2,727	81,839	79,760	174,490
Net assets beginning of year	0	0	0	0	0
Net assets end of year	\$ 10,164	2,727	81,839	79,760	174,490

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 1,882,603	1,782,466	1,672,573	1,713,306	1,618,303	1,610,022	1,492,769
Tuition	42,805	82,126	133,313	78,454	58,162	45,031	97,588
Other	308,304	319,712	341,045	379,718	339,455	212,189	226,065
State sources	1,775,502	1,988,734	1,987,897	2,030,310	1,936,781	1,734,318	1,719,088
Federal sources	408,152	207,471	143,688	168,305	200,758	232,005	175,949
Total	\$ 4,417,366	4,380,509	4,278,516	4,370,093	4,153,459	3,833,565	3,711,459
Expenditures:							
Instruction:							
Regular	\$ 1,593,477	1,397,153	1,428,828	1,428,324	1,594,716	1,380,388	1,235,610
Special	444,757	540,996	541,847	533,797	438,880	459,736	569,350
Other	583,371	621,099	589,054	569,932	426,302	437,493	371,371
Support services:							
Student	91,846	53,177	97,079	89,149	107,231	76,683	78,347
Instructional staff	239,745	117,093	103,131	75,244	51,932	43,227	50,223
Administration	455,996	480,945	452,996	445,301	509,316	444,100	434,571
Operation and maintenance of plant	370,980	334,191	343,303	333,064	317,474	261,083	265,591
Transportation	268,737	152,017	218,335	230,966	222,208	197,724	198,894
Central	0	0	0	0	0	0	4,286
Non-instructional programs:							
Food service operations	604	506	440	277	277	254	233
Community service and education operations	0	6,150	3,075	0	0	31,943	29,319
Other expenditures:							
Facilities acquisitions	113,796	92,996	101,231	106,132	93,679	104,824	51,122
Long Term Debt:							
Principal	2,340,000	155,000	140,000	135,000	130,000	120,000	115,000
Interest	217,435	227,535	235,537	243,635	200,120	171,350	178,150
AEA flow-through	156,434	142,086	137,356	135,298	127,217	120,890	124,144
Total	\$ 6,877,178	4,320,944	4,392,212	4,326,119	4,219,352	3,849,695	3,706,211

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/ Program	CFDA Number	Grant Number	Expendi- tures
Direct:			
U.S. Department of Education:			
Rural Education	84.358	FY10	\$ 25,446
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	22,987
National School Lunch Program	10.555	FY10	100,992 *
			<u>123,979</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY10	81,104
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY09	10,010
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	6,938
			<u>98,052</u>
Safe and Drug-Free Schools and Communities-State Grants	84.186	FY10	1,752
Improving Teacher Quality State Grants	84.367	FY10	24,161
Grants for State Assessment and Related Activities	84.369	FY10	2,314
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY10	172,817
Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY10	21,938
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	47,990
			<u>69,928</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	5,504
Special Education - State Personnel Development	84.323	FY10	411
English Language Acquisition Grants	84.365	FY10	1,512
Total			<u>\$ 525,876</u>

* - Includes \$11,830 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Villisca 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

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Villisca Community School District of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Villisca Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on 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 the
Villisca Community School District:

Compliance

We have audited the compliance of Villisca Community School District with the types of compliance requirements described in the 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, 2010. Villisca 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 Villisca Community School District's management. Our responsibility is to express an opinion on Villisca Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test bases, evidence about Villisca 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 Villisca Community School District's compliance with those requirements.

In our opinion, Villisca 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, 2010.

Internal Control Over Compliance

The management of Villisca Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Villisca 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 compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Villisca Community School District's internal control over compliance.

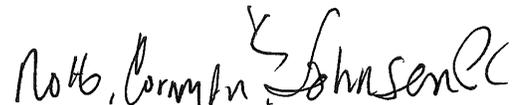
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all

deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Villisca Community School District's responses to the 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 Villisca Community School District's responses and accordingly, we express no opinion on them.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2011

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency 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) A material weakness in internal control over the major programs was 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 are 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:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Villisca Community School District did not qualify as a low-risk auditee.

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND SCHEDULED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

II-B-10 Scholarships - We noted during our audit that scholarships were paid from the Student Activity Fund and the Private Purpose Trust. When the checks were issued, they were issued to the individual student only.

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

Response - We have already implemented changes to make sure that students do not receive scholarship funding directly. Checks are issued to the college where the student is attending once the student has provided proof of college attendance to the District.

Conclusion - Response accepted.

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

VILLISCA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010 exceeded the certified budget amounts in the other expenditures function.

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

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

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 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.

The District has Board policy 401.7 in effect for reimbursement to employees for necessary expenses incurred while on District business. The policy states that prior to reimbursement of necessary expenses the employee must provide the District with a detailed receipt, other than a credit card receipt, indicating the date, purpose and nature of the expense for each claim item. Failure to have a detailed receipt will make the expense a personal expense of the employee. However, during our audit, we noted that the District was reimbursing employees for necessary expenses without detailed receipts of the expense.

Recommendation - The District should review policy 401.7 with employees and reiterate that detailed receipts need to be turned into the District business office before reimbursement is made for necessary business expenses.

Response - We will review procedures that are in place with personnel to ensure the proper detailed documentation will be turned into the business office before reimbursements are made.

Conclusion - Response accepted.

IV-D-10 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lisa Kernen, Teacher Spouse owns Granny's Auto Parts	Supplies	\$2,024

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

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 3 as tuitioned out students was overstated by 1.0 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

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

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax- No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	111,869
Statewide sales, services and use tax			230,813
Expenditures/transfers out:			
School Infrastructure:			
Copier rent	\$	13,779	
Equipment		194,502	
Other improvements		94,401	
Debt service for school infrastructure			
General obligation debt		40,000	342,682
			<u> </u>
Ending Balance		\$	<u> 0</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	<u>Per \$1,000</u> <u>of Taxable</u> <u>Valuation</u>	<u>Property</u> <u>Tax</u> <u>Dollars</u>
Debt service levy	\$ 0.47185	\$ 40,000
Physical plant and equipment levy	\$ 1.25931	\$ 120,703

IV-M-10 Officiating Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will comply and have the Board President sign these contracts.

Conclusion - Response accepted.