

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
VINTON, IOWA

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

JUNE 30, 2010

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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2009 Election)		
Todd Wiley	President	2009
Pat Lyons	Vice President	2011
Gerald Horst	Board Member	2009
Joan Sainsbury	Board Member	2009
Tim Bird	Board Member	2011
Megan Rickels	Board Member	2011
Angela Hazen	Board Member	2011
<u>Board of Education</u>		
(After September 2009 Election)		
Pat Lyons	President	2011
Todd Wiley	Vice President	2013
Tim Bird	Board Member	2011
Angela Hazen	Board Member	2011
Megan Rickels	Board Member	2011
Robert Levis	Board Member	2013
Sue Gates	Board Member	2013
<u>School Officials</u>		
Mary Jo Hainstock	Superintendent	2013
Larry Stroschein	District Secretary/Treasurer	2010
Mark Mossman	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Vinton-Shellsburg Community School District, Iowa, as of and for the year ended June 30, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2010 on our consideration of Vinton-Shellsburg 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 7 through 15 and 50 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vinton-Shellsburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa
November 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Vinton-Shellsburg Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2010. This analysis will focus on the District's financial performance as a whole for the fiscal year 2010.

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

Financial Highlights

- ◆ General Fund revenue increased from \$15,345,999 in fiscal year 2009 to \$15,390,758 in fiscal year 2010 while General Fund expenditures increased from \$15,516,629 in fiscal year 2009 to \$15,636,903 in fiscal year 2010.
- ◆ The increase in General Fund revenues was attributable to an increase in property tax as well as federal revenue in fiscal 2010.

◆ Overview of Financial Statements

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

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

District Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

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

- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others. These funds include Private -purpose Trust and Agency funds.
 - ◆ **Private-Purpose Trust Fund:** The District accounts for outside donations for specific purposes in this fund.

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

Financial Analysis of the District as a Whole

Net assets: Figure A-1 provides a summary of the District's net assets for the year ended June 30, 2010. The districts combined net assets were higher on June 30, 2010 than they were the year before, increasing to \$11,463,997. (figure A1)

Condensed Statement of Net Assets-figure A1

	Governmental		Business-		Total		Total
	Activities		type		School District		Percentage
	2009	2010	2009	2010	2009	2010	Change
							2009-10 %
Current and other assets	\$12,970,040	\$11,817,773	\$225,607	\$242,900	\$13,195,647	\$12,060,673	-8.6%
Capital assets	\$21,548,805	\$21,227,387	\$261,589	\$234,995	\$21,810,394	\$21,462,382	-1.6%
Total Assets	\$34,518,845	\$33,045,160	\$487,196	\$477,895	\$35,006,041	\$33,523,055	-4.2%
Long-term debt outstanding	\$13,566,435	\$13,146,865			\$13,566,435	\$13,146,865	-3.1%
Other liabilities	\$9,964,964	\$8,853,510	\$56,905	\$58,683	\$10,021,869	\$8,912,193	-11.1%
Total liabilities	\$23,531,399	\$22,000,375	\$56,905	\$58,683	\$23,588,304	\$22,059,058	-6.5%
Net Assets							
Invested in capital assets, net of related debt	\$10,017,600	\$8,347,387	\$261,589	\$234,995	\$10,279,189	\$8,582,382	-16.5%
Restricted	\$1,347,108	\$3,474,451			\$1,347,108	\$3,474,451	157.9%
Unrestricted	-\$377,262	-\$777,053	\$168,702	\$184,217	-\$208,560	-\$592,836	-184.3%
TOTAL NET ASSETS	\$10,987,446	\$11,044,785	\$430,291	\$419,212	\$11,417,737	\$11,463,997	0.4%

Change in net assets: Figure A-2 shows the changes in net assets for the year ending June 30, 2010.

Changes in Net Assets from Operating Results- figure A2

	Governmental Activities		Business-type Activities		Total School District		Total Percent age Change 2009-10%
	2009	2010	2009	2010	2009	2010	
Revenues					\$ -	\$ -	
Program Revenues					\$ -	\$ -	
Charges for services	\$ 951,785	\$ 802,699	\$ 412,736	\$ 404,208	\$ 1,364,521	\$ 1,206,907	-12%
Operating Grants & Contributions	\$ 2,467,978	\$ 1,636,963	\$ 349,749	\$ 376,785	\$ 2,817,727	\$ 2,013,748	-29%
Capital Grants & Contributions	\$ -	\$ -	\$ 1,924	\$ -	\$ 1,924	\$ -	
General Revenues					\$ -	\$ -	
Property taxes & other taxes	\$ 6,733,945	\$ 7,109,809			\$ 6,733,945	\$ 7,109,809	6%
State formula aid	\$ 8,003,816	\$ 8,429,402			\$ 8,003,816	\$ 8,429,402	5%
Other	\$ 235,765	\$ 114,623	\$ 393	\$ 135	\$ 236,158	\$ 114,758	-51%
Total Revenues	\$ 18,393,289	\$ 18,093,496	\$ 764,802	\$ 781,128	\$ 19,158,091	\$ 18,874,624	-1%
Expenses							
Instruction	\$ 11,734,737	\$ 12,384,993			\$ 11,734,737	\$ 12,384,993	6%
Pupil & Instructional Svcs	\$ 4,145,489	\$ 3,706,371			\$ 4,145,489	\$ 3,706,371	-11%
Non-instructional Programs			\$ 783,850	\$ 792,207	\$ 783,850	\$ 792,207	1%
					\$ -	\$ -	
					\$ -	\$ -	
Other	\$ 1,835,241	\$ 1,944,793			\$ 1,854,929	\$ 1,955,425	6%
Total Expenses	\$ 17,715,467	\$ 18,036,157	\$ 783,850	\$ 792,207	\$ 18,499,317	\$ 18,828,364	2%
Increase (decrease) in net assets	\$ 677,822	\$ 57,339	\$ (19,048)	\$ (11,079)	\$ 658,774	\$ 46,260	-93%

Property tax and unrestricted state grants account for 82% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$18,093,496 and expenses were \$18,036,157. In a very difficult budget year, the District did a remarkable job of controlling expenditures to provide additional funds for upcoming years.

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

Figure A-3 Total Net Cost of Governmental Activities

Net Cost of Governmental Activities- figure A3

	Total Cost of Services		Percentage Change 2009-10%	Net Cost of Services		Percentage Change 2009-10%
	2009	2010		2009	2010	
Instruction	\$11,734,737	\$12,384,993	6%	\$8,991,271	\$10,667,684	19%
Support Services	\$ 4,145,489	\$ 3,706,371	-11%	\$4,132,789	\$3,693,653	-11%
Non-instructional programs						
Other	\$ 1,835,241	\$ 1,944,793	6%	\$1,171,644	\$1,235,158	5%
TOTAL	\$17,715,467	\$18,036,157	2%	\$ 14,295,704	\$ 15,596,495	9.1%

- ◆ The cost financed by users of District's programs was \$802,699.
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$1,636,963.
- ◆ The net cost of governmental activities was financed with \$7,109,809 in property and other tax, \$8,429,402 in state foundation aid and \$114,623 in other income.

Business -Type Activities

Revenues of the District's business-type activities were \$781,128 and expenses were \$792,207. The District's business-type activities include the School Nutrition Fund, and the Child Care Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,532,719 a decrease of \$161,554 from last year's ending fund balance of \$2,694,273. The primary reasons for the decrease in combined fund balances in fiscal 2010 was due to the total revenue from the State aid being less than expected and additional use of the sales tax revenues.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy, increased taxes and grants resulted in increased revenues. The increase in revenues was coupled with about the usual increase in General Fund expenditures.
- ◆ The General Fund balance decreased from a deficit of \$401,511 to a deficit of \$647,656 for the 2009-10 fiscal year. The District is working to improve the balance by increasing cash reserve levy and controlling expenditures.
- ◆ The Capital Projects Fund balance decreased from \$1,958,795 to \$1,836,878 for the 2009-10 fiscal year. The decrease is due to additional expenditures in the local sales option account.

Proprietary Fund Highlights

The School Nutrition Fund and Preschool Daycare net assets decreased from \$430,291 at June 30, 2009 to \$419,212 at June 30, 2010.

Budgetary Highlights

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

Legal Budgetary Highlights

The District's total actual revenues were approximately \$1,083,494 less than the total budgeted revenues, a variance of 5.5 percent. The most significant change resulted in the District receiving fewer revenues from state sources than originally budgeted.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal year but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2010, the District had invested \$21.47 million, net of accumulated depreciation of \$6.77 million, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) More detailed information about capital assets is available in the notes to the financial statements.

Governmental Funds account for \$21.23 million with the remainder of \$.24 million in the School Nutrition Fund, net of accumulated depreciation amounts of \$6.58 million and \$.19 million, respectively.

Figure A-4
Capital Assets, Net of Depreciation

<i>Capital Assets (net of depreciation)- figure A4</i>							
	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009-10%
Land	\$ 86,215	\$ 86,215			\$ 86,215	\$ 86,215	0%
Construction in progress	\$ -	\$ -			\$ -	\$ -	
Improvements	\$ 262,077	\$ 313,561			\$ 262,077	\$ 313,561	20%
Buildings	\$ 20,807,044	\$ 20,320,850			\$ 20,807,044	\$ 20,320,850	-2%
Equipment & Furniture	\$ 393,469	\$ 506,761	\$ 261,589	\$ 234,995	\$ 655,058	\$ 741,756	13%
TOTAL	\$ 21,548,805	\$ 21,227,387	\$ 261,589	\$ 234,995	\$ 21,810,394	\$ 21,462,382	-2%

Long-Term Liabilities

On June 30, 2010, the District had \$12,880,000 bonded indebtedness, and \$266,865 in early retirement liabilities. See figure A-5 for more detail on long-term obligations. Further details on the District's long-term liabilities are available in the notes to the basic financial statements.

Figure A-5
Total School District

	2009	2010	Change	
Early Retirement	76,435	266,865	190,430	
Lease purchases	0	0	0	
Real estate contract	0	0	0	
General obligation bonds	13,490,000	12,880,000	-610,000	
Capital loan notes	0	0	0	
Totals	13,566,435	13,146,865	-419,570	

Factors Bearing on the District's Future

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

- ◆ State payments remain a concern. As long as the state financial picture remains uncertain, future state cuts cannot be ruled out.
- ◆ The district voters authorized a one-cent school infrastructure local option tax in February 2004. Tax collection began in July 2004 which is now pooled with the statewide collections for distribution. The revenues from the one-cent statewide sales and services tax will be used to repay the general obligation bonds and interest.
- ◆ The district voters authorized the issuance of 15.1 million dollars in general obligation bonds to pay for the construction of a new high school building, and the remodeling of the Tilford, Middle School, and Shellsburg buildings in October 2004.
- ◆ The District will negotiate a new labor contract in 2011 with its employees. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and reserve fund balance.
- ◆ Student enrollment figures remain a concern. General Fund dollars are based on the number of students that are enrolled.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Larry Stroschein, Business Manager, Vinton-Shellsburg Community School District, 1502 C Avenue, Vinton, Iowa 52349.

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Basic Financial Statements

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,335,907	\$ 222,219	\$ 4,558,126
Receivables:			
Property tax:			
Current year	85,600	-	85,600
Succeeding year	6,100,330	-	6,100,330
Income surtax	520,796	-	520,796
Accounts	547	395	942
Due from other governments	774,593	-	774,593
Inventories	-	20,286	20,286
Capital assets, net of accumulated depreciation (note 5)	21,227,387	234,995	21,462,382
Total assets	33,045,160	477,895	33,523,055
Liabilities			
Accounts payable	326,008	128	326,136
Salaries and benefits payable	1,955,495	50,879	2,006,374
Accrued interest payable	89,252	-	89,252
Deferred revenue:			
Succeeding year property tax	6,100,330	-	6,100,330
Other	382,425	7,676	390,101
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	266,865	-	266,865
Bonds payable	635,000	-	635,000
Portion due after one year:			
Bonds payable	12,245,000	-	12,245,000
Total liabilities	22,000,375	58,683	22,059,058

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 8,347,387	\$ 234,995	\$ 8,582,382
Restricted for:			
Categorical funding (note 10)	239,025	-	239,025
Management levy	88,826	-	88,826
Physical plant and equipment levy	1,046,128	-	1,046,128
Other special revenue purposes	263,594	-	263,594
Capital projects	1,836,878	-	1,836,878
Unrestricted	<u>(777,053)</u>	<u>184,217</u>	<u>(592,836)</u>
Total net assets	<u>\$ 11,044,785</u>	<u>\$ 419,212</u>	<u>\$ 11,463,997</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 8,258,512	\$ 281,851	\$ 504,564
Special instruction	2,456,263	81,127	410,046
Other instruction	1,670,218	439,721	-
	<u>12,384,993</u>	<u>802,699</u>	<u>914,610</u>
Support services:			
Student services	322,314	-	5,216
Instructional staff services	504,834	-	-
Administration services	1,161,966	-	-
Operation and maintenance of plant services	1,125,086	-	-
Transportation services	592,171	-	7,502
	<u>3,706,371</u>	<u>-</u>	<u>12,718</u>
Other expenditures:			
Facilities acquisition	162,550	-	-
Long-term debt interest and fiscal charges	557,885	-	-
AEA flowthrough	709,635	-	709,635
Depreciation (unallocated) *	514,723	-	-
	<u>1,944,793</u>	<u>-</u>	<u>709,635</u>
Total governmental activities	<u>18,036,157</u>	<u>802,699</u>	<u>1,636,963</u>
Business-Type Activities:			
Non-instructional programs:			
Food service operations	781,575	394,803	376,785
Other enterprise operations	10,632	9,405	-
	<u>792,207</u>	<u>404,208</u>	<u>376,785</u>
Total	<u>\$ 18,828,364</u>	<u>\$ 1,206,907</u>	<u>\$ 2,013,748</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (7,472,097)	\$ -	\$ (7,472,097)
(1,965,090)	-	(1,965,090)
(1,230,497)	-	(1,230,497)
(10,667,684)	-	(10,667,684)
(317,098)	-	(317,098)
(504,834)	-	(504,834)
(1,161,966)	-	(1,161,966)
(1,125,086)	-	(1,125,086)
(584,669)	-	(584,669)
(3,693,653)	-	(3,693,653)
(162,550)	-	(162,550)
(557,885)	-	(557,885)
-	-	-
(514,723)	-	(514,723)
(1,235,158)	-	(1,235,158)
(15,596,495)	-	(15,596,495)
-	(9,987)	(9,987)
-	(1,227)	(1,227)
-	(11,214)	(11,214)
(15,596,495)	(11,214)	(15,607,709)

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs

General Revenues:

Property tax levied for:

 General purposes

 Debt service

 Capital outlay

Income surtax

Statewide sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 5,192,507	\$ -	\$ 5,192,507
110,213	-	110,213
265,318	-	265,318
571,200	-	571,200
970,571	-	970,571
8,429,402	-	8,429,402
19,996	135	20,131
94,627	-	94,627
15,653,834	135	15,653,969
57,339	(11,079)	46,260
10,987,446	430,291	11,417,737
\$ 11,044,785	\$ 419,212	\$ 11,463,997

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,621,326	\$ 687,117	\$ 1,361,102	\$ 666,360	\$ 4,335,905
Receivables:					
Property tax:					
Current year	74,135	4,024	-	7,442	85,601
Succeeding year	5,418,752	281,579	-	399,999	6,100,330
Income surtax	148,799	371,997	-	-	520,796
Accounts	-	-	-	547	547
Due from other governments	298,818	-	475,776	-	774,594
Total assets	\$ 7,561,830	\$ 1,344,717	\$ 1,836,878	\$ 1,074,348	\$ 11,817,773
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 304,015	\$ 17,010	\$ -	\$ 4,983	\$ 326,008
Salaries and benefits payable	1,955,495	-	-	-	1,955,495
Deferred revenue:					
Succeeding year property tax	5,418,752	281,579	-	399,999	6,100,330
Other	531,224	371,997	-	-	903,221
Total liabilities	8,209,486	670,586	-	404,982	9,285,054
Fund balances:					
Reserved for:					
Categorical funding (note 10)	239,025	-	-	-	239,025
Debt service	-	-	-	50,081	50,081
Unreserved, reported in:					
General fund	(886,681)	-	-	-	(886,681)
Special revenue funds	-	674,131	-	619,285	1,293,416
Capital projects fund	-	-	1,836,878	-	1,836,878
Total fund balances	(647,656)	674,131	1,836,878	669,366	2,532,719
Total liabilities and fund balances	\$ 7,561,830	\$ 1,344,717	\$ 1,836,878	\$ 1,074,348	\$ 11,817,773

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2010

Total fund balances of governmental funds	\$ 2,532,719
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,227,387
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	520,796
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(89,252)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(13,146,865)</u>
Net assets of governmental activities	<u><u>\$ 11,044,785</u></u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,889,111	\$ 643,977	\$ 970,570	\$ 484,712	\$ 6,988,370
Tuition	316,278	-	-	-	316,278
Other	112,338	18,113	1,927	466,247	598,625
State sources	8,531,681	236	-	430	8,532,347
Federal sources	1,541,350	-	-	-	1,541,350
Total revenues	<u>15,390,758</u>	<u>662,326</u>	<u>972,497</u>	<u>951,389</u>	<u>17,976,970</u>
Expenditures:					
Current:					
Instruction	<u>11,561,765</u>	-	-	630,520	<u>12,192,285</u>
Support services:					
Student services	322,312	-	-	-	322,312
Instructional staff services	267,297	204,685	32,852	-	504,834
Administration services	1,232,619	-	-	-	1,232,619
Operation and maintenance of plant services	1,042,061	-	-	79,221	1,121,282
Transportation services	501,214	124,220	-	15,460	640,894
	<u>3,365,503</u>	<u>328,905</u>	<u>32,852</u>	<u>94,681</u>	<u>3,821,941</u>
Other expenditures:					
Facilities acquisition	-	242,563	-	-	242,563
Long term debt:					
Principal	-	-	-	610,000	610,000
Interest and fiscal charges	-	-	-	562,100	562,100
AEA flowthrough	709,635	-	-	-	709,635
	<u>709,635</u>	<u>242,563</u>	<u>-</u>	<u>1,172,100</u>	<u>2,124,298</u>
Total expenditures	<u>15,636,903</u>	<u>571,468</u>	<u>32,852</u>	<u>1,897,301</u>	<u>18,138,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(246,145)</u>	<u>90,858</u>	<u>939,645</u>	<u>(945,912)</u>	<u>(161,554)</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Interfund transfers in (note 3)	\$ -	\$ -	\$ -	1,061,562	\$ 1,061,562
Interfund transfers out (note 3)	-	-	(1,061,562)	-	(1,061,562)
Total other financing sources (uses)	-	-	(1,061,562)	1,061,562	-
Net change in fund balances	(246,145)	90,858	(121,917)	115,650	(161,554)
Fund balances beginning of year	(401,511)	583,273	1,958,795	553,716	2,694,273
Fund balances end of year	<u>\$ (647,656)</u>	<u>\$ 674,131</u>	<u>\$ 1,836,878</u>	<u>\$ 669,366</u>	<u>\$ 2,532,719</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (161,554)

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

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

Expenditures for capital assets	\$ 283,585	
Depreciation expense	<u>(605,003)</u>	(321,418)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 116,526

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 610,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,215

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

Early retirement	<u>(190,430)</u>
------------------	------------------

Change in net assets of governmental activities \$ 57,339

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 214,310	\$ 7,909	\$ 222,219
Accounts receivable	-	395	395
Inventories	20,286	-	20,286
Capital assets, net of accumulated depreciation	234,995	-	234,995
Total assets	<u>469,591</u>	<u>8,304</u>	<u>477,895</u>
Liabilities			
Accounts payable	128	-	128
Salaries and benefits payable	50,879	-	50,879
Deferred revenue	7,676	-	7,676
Total liabilities	<u>58,683</u>	<u>-</u>	<u>58,683</u>
Net Assets			
Invested in capital assets	234,995	-	234,995
Unrestricted	175,913	8,304	184,217
Total net assets	<u>\$ 410,908</u>	<u>\$ 8,304</u>	<u>\$ 419,212</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 394,803	\$ 9,405	\$ 404,208
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	248,894	-	248,894
Benefits	125,934	-	125,934
Purchased services	5,564	-	5,564
Supplies	371,972	-	371,972
Depreciation	29,211	-	29,211
	<u>781,575</u>	<u>-</u>	<u>781,575</u>
Other enterprise operations:			
Salaries	-	8,896	8,896
Benefits	-	1,272	1,272
Supplies	-	464	464
	<u>-</u>	<u>10,632</u>	<u>10,632</u>
	<u>781,575</u>	<u>10,632</u>	<u>792,207</u>
Operating loss	<u>(386,772)</u>	<u>(1,227)</u>	<u>(387,999)</u>
Non-operating revenues:			
Interest on investments	128	7	135
State sources	7,951	-	7,951
Federal sources	368,834	-	368,834
Total non-operating revenues	<u>376,913</u>	<u>7</u>	<u>376,920</u>
Change in net assets	(9,859)	(1,220)	(11,079)
Net assets beginning of year	<u>420,767</u>	<u>9,524</u>	<u>430,291</u>
Net assets end of year	<u>\$ 410,908</u>	<u>\$ 8,304</u>	<u>\$ 419,212</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	School Nutrition	Nonmajor Enterprise	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 380,736	\$ -	\$ 380,736
Cash received from miscellaneous operating activities	12,190	10,175	22,365
Cash payments to employees for services	(370,927)	(10,168)	(381,095)
Cash payments to suppliers for goods or services	(326,680)	(464)	(327,144)
Net cash used by operating activities	<u>(304,681)</u>	<u>(457)</u>	<u>(305,138)</u>
Cash flows from non-capital financing activities:			
State grants received	7,951	-	7,951
Federal grants received	314,924	-	314,924
Net cash provided by non-capital financing activities	<u>322,875</u>	<u>-</u>	<u>322,875</u>
Cash flows from capital financing activities:			
Purchase of equipment	<u>(2,617)</u>	<u>-</u>	<u>(2,617)</u>
Cash flows from investing activities:			
Interest on investments	<u>128</u>	<u>7</u>	<u>135</u>
Net increase (decrease) in cash and cash equivalents	15,705	(450)	15,255
Cash and cash equivalents beginning of year	<u>198,605</u>	<u>8,359</u>	<u>206,964</u>
Cash and cash equivalents end of year	<u>\$ 214,310</u>	<u>\$ 7,909</u>	<u>\$ 222,219</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (386,772)	\$ (1,227)	\$ (387,999)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	29,211	-	29,211
Commodities used	53,910	-	53,910
Decrease in accounts receivable	208	770	978
(Increase) in inventories	(3,016)	-	(3,016)
(Decrease) in accounts payable	(38)	-	(38)
Increase in salaries and benefits payable	3,901	-	3,901
(Decrease) in deferred revenue	(2,085)	-	(2,085)
Net cash used by operating activities	<u>\$ (304,681)</u>	<u>\$ (457)</u>	<u>\$ (305,138)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$53,910 of federal commodities.

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2010

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$ 73,898	
Accounts receivable		<u>2,300</u>
Total assets		<u>76,198</u>
Liabilities:		
Accounts payable		<u>196</u>
Net assets:		
Reserved for scholarships	\$	<u><u>76,002</u></u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2010

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions		\$ <u>202,345</u>
Deductions:		
Instruction:		
Supplies		<u>192,955</u>
Change in net assets		9,390
Net assets beginning of year		<u>66,612</u>
Net assets end of year		\$ <u><u>76,002</u></u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue Fund, Physical Plant and Equipment Levy is used to account for taxes levied for the operations and maintenance of District buildings and grounds and for various equipment purchases.

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

The District reports the following major proprietary fund:

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and personal days during the fiscal year. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The District had no compensated absences liability at June 30, 2010.

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

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

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$3,409,111.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

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

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Cash and Pooled Investments (continued)

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>3,890,575</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>1,061,562</u>

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

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. 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 that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 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%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Payable
2009-10A	6/25/2009	6/23/2010	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -

During the year ended June 30, 2010, the District paid \$10,063 of interest on the ISCAP warrants.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 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	\$ 86,215	\$ -	\$ -	\$ 86,215
Capital assets being depreciated:				
Buildings	25,556,432	6,831	-	25,563,263
Improvements other than buildings	615,446	73,182	-	688,628
Furniture and equipment	1,298,583	203,572	27,451	1,474,704
Total capital assets being depreciated	<u>27,470,461</u>	<u>283,585</u>	<u>27,451</u>	<u>27,726,595</u>
Less accumulated depreciation for:				
Buildings	4,749,388	493,025	-	5,242,413
Improvements other than buildings	353,369	21,698	-	375,067
Furniture and equipment	905,114	90,280	27,451	967,943
Total accumulated depreciation	<u>6,007,871</u>	<u>605,003</u>	<u>27,451</u>	<u>6,585,423</u>
Total capital assets being depreciated, net	<u>21,462,590</u>	<u>(321,418)</u>	<u>-</u>	<u>21,141,172</u>
Governmental activities capital assets, net	<u>\$ 21,548,805</u>	<u>\$ (321,418)</u>	<u>\$ -</u>	<u>\$ 21,227,387</u>
Business-type activities:				
Furniture and equipment	\$ 418,870	\$ 2,617	\$ -	\$ 421,487
Less accumulated depreciation	<u>157,281</u>	<u>29,211</u>	<u>-</u>	<u>186,492</u>
Business-type activities capital assets, net	<u>\$ 261,589</u>	<u>\$ (26,594)</u>	<u>\$ -</u>	<u>\$ 234,995</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Capital Assets (continued)

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

Governmental activities:

Instruction	\$ 7,328
Support services:	
Administration	7,850
Operation and maintenance of plant services	3,804
Transportation	<u>71,298</u>
	90,280
Unallocated depreciation	<u>514,723</u>
Total governmental activities depreciation expense	<u>\$ 605,003</u>

Business-type activities:

Food service operations	<u>\$ 29,211</u>
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Note 6. Long-Term Liabilities

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
Early retirement	\$ 76,435	\$ 266,865	\$ 76,435	\$ 266,865	\$ 266,865
General obligation bonds	<u>13,490,000</u>	-	<u>610,000</u>	<u>12,880,000</u>	<u>635,000</u>
Total	<u>\$ 13,566,435</u>	<u>\$ 266,865</u>	<u>\$ 686,435</u>	<u>\$ 13,146,865</u>	<u>\$ 901,865</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Early Retirement

The District offered a voluntary early retirement plan to all District employees for the year ended June 30, 2010. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees had to complete an application which was required to be approved by the Board of Education.

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

At June 30, 2010, the District has obligations to seventeen participants with a total liability of \$266,865. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$76,435. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

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

Year Ending June 30,	Issue Dated December 1, 2004			Issue Dated May 1, 2005			Total	
	Interest			Interest			Principal	Interest
	Rates	Principal	Interest	Rates	Principal	Interest		
2011	4.00 %	\$ 265,000	\$ 200,105	4.250 %	\$ 370,000	\$ 335,408	\$ 635,000	\$ 535,513
2012	4.00	275,000	189,505	4.250	385,000	319,682	660,000	509,187
2013	4.25	290,000	178,505	4.250	400,000	303,320	690,000	481,825
2014	4.25	300,000	166,180	4.250	420,000	286,320	720,000	452,500
2015	3.65	315,000	153,430	4.250	435,000	268,470	750,000	421,900
2016	3.75	325,000	141,933	4.250	450,000	249,982	775,000	391,915
2017	3.85	340,000	129,745	4.000	470,000	230,858	810,000	360,603
2018	3.95	355,000	116,655	4.000	490,000	212,058	845,000	328,713
2019	4.05	365,000	102,632	4.000	510,000	192,458	875,000	295,090
2020	4.10	385,000	87,850	4.100	530,000	172,058	915,000	259,908
2021	4.15	400,000	72,065	4.150	555,000	150,328	955,000	222,393
2022	4.20	420,000	55,465	4.250	575,000	127,296	995,000	182,761
2023	4.25	435,000	37,825	4.300	605,000	102,858	1,040,000	140,683
2024	4.25	455,000	19,338	4.350	630,000	76,842	1,085,000	96,180
2025	-	-	-	4.375	1,130,000	49,438	1,130,000	49,438
		<u>\$ 4,925,000</u>	<u>\$ 1,651,233</u>		<u>\$ 7,955,000</u>	<u>\$ 3,077,376</u>	<u>\$ 12,880,000</u>	<u>\$ 4,728,609</u>

During the year ended June 30, 2010, the District retired \$610,000 of bonds.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$763,052, \$706,254, and \$646,441, respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$709,635 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 50,078
Salary improvement program	92,030
Professional development for model core curriculum	27,334
Professional development	<u>69,583</u>
	<u>\$ 239,025</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 11. Financial Condition

The District had an unrestricted net asset deficit of \$777,053 and an unreserved, undesignated major fund, General Fund deficit balance of \$886,681 at June 30, 2010. In addition, the Special Revenue, Student Activity Fund had several accounts with deficit balances at year end.

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Required Supplementary Information

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2010

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 7,903,273	\$ 404,343	\$ 8,307,616	\$ 8,646,704	\$ 8,646,704	\$ (339,088)
State sources	8,532,347	7,951	8,540,298	10,369,888	10,369,888	(1,829,590)
Federal sources	1,541,350	368,834	1,910,184	825,000	825,000	1,085,184
Total revenues	17,976,970	781,128	18,758,098	19,841,592	19,841,592	(1,083,494)
EXPENDITURES/EXPENSES:						
Instruction	12,192,285	-	12,192,285	11,743,429	12,300,000	107,715
Support services	3,821,941	-	3,821,941	4,406,999	4,600,000	778,059
Non-instructional programs	0	792,207	792,207	815,000	815,000	22,793
Other expenditures	2,124,298	-	2,124,298	2,696,372	2,696,372	572,074
Total expenditures/expenses	18,138,524	792,207	18,930,731	19,661,800	20,411,372	1,480,641
Excess (deficiency) of revenues over (under) expenditures/ expenses	(161,554)	(11,079)	(172,633)	179,792	(569,780)	397,147
Balance beginning of year	2,694,273	430,291	3,124,564	2,973,514	2,973,514	151,050
Balance end of year	\$ <u>2,532,719</u>	\$ <u>419,212</u>	\$ <u>2,951,931</u>	\$ <u>3,153,306</u>	\$ <u>2,403,734</u>	\$ <u>548,197</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2010

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$749,572.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

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Other Supplementary Information

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	<u>Special Revenue</u>			
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 351,127	\$ 266,824	\$ 48,409	\$ 666,360
Receivables:				
Property tax:				
Current year	5,770	-	1,672	7,442
Succeeding year	399,999	-	-	399,999
Accounts	-	547	-	547
	<hr/>			
Total assets	<u>\$ 756,896</u>	<u>\$ 267,371</u>	<u>\$ 50,081</u>	<u>\$ 1,074,348</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,206	\$ 3,777	\$ -	\$ 4,983
Deferred revenue:				
Succeeding year property tax	399,999	-	-	399,999
Total liabilities	<u>401,205</u>	<u>3,777</u>	<u>-</u>	<u>404,982</u>
Fund balances:				
Reserved for:				
Debt service	-	-	50,081	50,081
Unreserved:				
Undesignated	355,691	263,594	-	619,285
Total fund balances	<u>355,691</u>	<u>263,594</u>	<u>50,081</u>	<u>669,366</u>
	<hr/>			
Total liabilities and fund balances	<u>\$ 756,896</u>	<u>\$ 267,371</u>	<u>\$ 50,081</u>	<u>\$ 1,074,348</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
Revenues:				
Local sources:				
Local tax	\$ 374,597	\$ -	\$ 110,115	\$ 484,712
Other	26,459	439,721	67	466,247
State sources	331	-	99	430
Total revenues	<u>401,387</u>	<u>439,721</u>	<u>110,281</u>	<u>951,389</u>
Expenditures:				
Current:				
Instruction	193,182	437,338	-	630,520
Support services:				
Operation and maintenance of plant services	79,221	-	-	79,221
Transportation services	15,460	-	-	15,460
Other expenditures:				
Long term debt:				
Principal	-	-	610,000	610,000
Interest and fiscal charges	-	-	562,100	562,100
Total expenditures	<u>287,863</u>	<u>437,338</u>	<u>1,172,100</u>	<u>1,897,301</u>
Excess (deficiency) of revenues over (under) expenditures	113,524	2,383	(1,061,819)	(945,912)
Other financing sources:				
Interfund transfers in	-	-	1,061,562	1,061,562
Net change in fund balances	113,524	2,383	(257)	115,650
Fund balances beginning of year	<u>242,167</u>	<u>261,211</u>	<u>50,338</u>	<u>553,716</u>
Fund balances end of year	<u>\$ 355,691</u>	<u>\$ 263,594</u>	<u>\$ 50,081</u>	<u>\$ 669,366</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Life Skills - Sp Ed	\$ 1,466	\$ -	\$ -	1,466
General Athletics	61,741	23,988	44,145	41,584
Activity Bus	337	-	-	337
Health	7,117	1,500	51	8,566
Interest	11,540	-	4,723	6,817
Shellsburg Yearbook	1,762	972	797	1,937
Shellsburg Activities	5,359	1,990	1,712	5,637
Shellsburg St Council	6,367	2,531	2,189	6,709
Shellsburg Picture	5,034	743	-	5,777
Shellsburg Keyboard	652	-	-	652
Coach Boys Basketball	3,122	6,267	7,288	2,101
Coach Boys Football	17,088	15,021	12,981	19,128
Coach Boys Baseball	7,076	11,619	10,775	7,920
Coach Cross Country	2,708	1,460	558	3,610
Coach Boys Golf	1,290	-	183	1,107
Coach Boys Swimming	(1,179)	1,868	681	8
Coach Boys Wrestling	3,795	12,088	10,033	5,850
Coach Girls Basketball	1,857	12,772	13,140	1,489
Coach Girls Volleyball	2,184	8,079	7,157	3,106
Coach Girls Softball	5,651	15,554	13,488	7,717
Coach Track	(387)	9,186	7,757	1,042
Coach Girls Golf	644	1,521	2,111	54
Coach Girls Swimming	(638)	3,463	2,779	46
Fine Arts Sponsors	9	-	-	9
Coach Speech	74	-	-	74
Act Tickets - Elem	200	-	-	200
Invention Convention	330	-	-	330
Lunch - Elem	-	19,757	19,737	20
Activity Guidance	43	-	-	43
Student Pictures	-	10,824	10,824	-
Special Project - Jump for Heart	-	-	-	-
West Activities	86	-	86	-
West Student Pictures	3,038	4,015	3,930	3,123
Youth Football	-	2,882	2,350	532
Special Olympics	(1)	-	-	(1)
Tilford Yearbook	(44)	2,835	3,007	(216)
Band JH	8,929	2,775	2,186	9,518
Magazines Sales	7,970	970	7,884	1,056
Tilford Concession	783	-	-	783
Tilford Activities	2,431	2,136	1,489	3,078

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
MS Act Tickets	\$ 200	\$ -	\$ -	200
FHA	37	-	-	37
MS Health Account	1,075	-	-	1,075
MS Student Council	4,780	797	747	4,830
MS Student Pictures	3,814	866	133	4,547
MS Act Lunch	-	6,702	6,702	-
Special Ed Activities	460	303	-	763
Boys Basketball	4,879	10,332	7,751	7,460
Boys Football	22,626	21,474	31,326	12,774
Boys Baseball	(7,122)	17,220	11,693	(1,595)
Boys Track	3,194	4,770	6,572	1,392
Boys Cross Country	(1,036)	1,373	536	(199)
Boys Golf	792	-	1,247	(455)
Boys Swimming	56	371	275	152
Boys Wrestling	1,330	6,864	6,093	2,101
Girls Basketball	2,462	11,837	10,656	3,643
Girls Volleyball	1,499	12,029	10,806	2,722
Girls Soccer	134	6,428	5,845	717
Girls Softball	(2,666)	8,967	7,318	(1,017)
Girls Track	(3,032)	5,553	1,432	1,089
Girls Cross Country	(1,410)	1,691	514	(233)
Girls Golf	(303)	719	1,054	(638)
Girls Swimming	(55)	1,167	818	294
Act Sales HS	119	-	-	119
Annual Yearbook	9,029	4,066	4,967	8,128
Band HS	7,824	15,632	9,908	13,548
Band Trip HS	1,647	26,889	26,242	2,294
Class of 2014	(36)	36	-	-
Class of 2006	89	-	89	-
Class of 2007	899	-	899	-
Class of 2008	3,023	127	3,150	-
Class of 2009	(104)	3,128	3,024	-
Class of 2010	4,504	1,649	4,673	1,480
Class of 2011	(272)	7,695	3,594	3,829
Class of 2012	-	-	50	(50)
Class of 2013	-	-	102	(102)
Weight Room	2,428	-	45	2,383
Student Council Activities	9,328	8,381	5,785	11,924
Vending Machine	1,474	-	906	568

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drill Team	\$ 968	\$ 3,217	\$ 3,129	\$ 1,056
HS Act Tickets	97	-	-	97
FFA	2,392	33,663	33,975	2,080
FHA	268	-	-	268
HS Home Ec	25	-	-	25
Ambassador club	394	-	-	394
National Honor Society	2,333	2,258	2,332	2,259
Bus Professional Club	265	1,382	965	682
Science Club	96	2,500	-	2,596
HS Student Senate	3,882	3,679	3,368	4,193
HS Student Pictures	3,771	314	-	4,085
SADD	325	-	15	310
Theatre	(2,030)	5,595	1,452	2,113
Recycling Club	101	-	-	101
Vocal	2,440	300	1,190	1,550
Contest Speech	1,633	1,518	2,259	892
HS Act Lunch	19	11,563	11,583	(1)
HS Activities	702	3,324	-	4,026
Amateur Radio	1,381	-	-	1,381
Cheerleaders	2,049	6,526	8,077	498
Total	\$ 261,211	\$ 439,721	\$ 437,338	\$ 263,594

See accompanying independent auditor's report.

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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 6,988,370	\$ 6,728,229	\$ 6,407,663	\$ 6,402,129
Tuition	316,278	320,875	361,532	324,784
Other	598,625	858,279	925,172	1,378,600
State sources	8,532,347	9,896,558	9,854,962	9,260,071
Federal sources	1,541,350	589,348	557,670	768,620
Total revenues	\$ 17,976,970	\$ 18,393,289	\$ 18,106,999	\$ 18,134,204
Expenditures:				
Instruction	\$ 12,192,285	\$ 11,800,596	\$ 11,120,276	\$ 10,427,532
Support services:				
Student services	322,312	465,574	449,179	418,421
Instructional staff services	504,834	597,660	572,423	614,661
Administration services	1,232,619	1,370,879	1,429,175	1,452,973
Operation and maintenance of plant services	1,121,282	1,137,812	1,183,416	1,079,024
Transportation services	640,894	665,334	554,570	476,995
Other expenditures:				
Facilities acquisition	242,563	271,861	3,219,495	9,729,098
Long-term debt:				
Principal	610,000	595,000	570,000	700,000
Interest and fiscal charges	562,100	586,688	609,750	638,158
AEA flowthrough	709,635	663,597	630,193	601,807
Total expenditures	\$ 18,138,524	\$ 18,155,001	\$ 20,338,477	\$ 26,138,669

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>
\$ 6,136,279	\$ 5,675,042
393,121	545,115
1,179,174	862,442
8,991,721	8,567,943
550,651	329,771
<u>\$ 17,250,946</u>	<u>\$ 15,980,313</u>
\$ 9,933,530	\$ 9,865,744
479,765	498,943
617,870	626,718
1,370,228	1,282,431
1,122,833	999,074
547,388	479,282
4,650,153	779,725
570,000	349,192
759,328	44,840
577,210	555,219
<u>\$ 20,628,305</u>	<u>\$ 15,481,168</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY 10	\$ 49,290
National School Lunch Program	10.555	FY 10	265,634
National School Lunch Program (non-cash)	10.555	FY 10	<u>53,910</u>
			<u>368,834</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	6660G10	207,881
Title I Grants to Local Educational Agencies	84.010	6660S10	7,730
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>52,277</u>
			<u>267,888</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>5,216</u>
Reading First State Grants	84.357	FY 10	<u>76,200</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>82,153</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>10,875</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	<u>882,237</u>
Grant Wood Area Education Agency:			
Special Education Cluster:			
Special Education - Grants to States	84.027	FY 10	92,177
Special Education - Preschool Grants	84.173	FY 10	2,418
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>39,106</u>
			<u>133,701</u>
Total			<u>\$ 1,827,104</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Basis of Presentation –

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

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Vinton-Shellsburg Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 11, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting 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 noted no material weaknesses in internal control over financial reporting during the course of our audit.

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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Vinton-Shellsburg Community School District's operations for the year ended June 30, 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.

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

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

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

Oskaloosa, Iowa
November 11, 2010

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

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

Compliance

We have audited the compliance of Vinton-Shellsburg Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Vinton-Shellsburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Vinton-Shellsburg Community School District's management. Our responsibility is to express an opinion on Vinton-Shellsburg Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vinton-Shellsburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Vinton-Shellsburg Community School District's compliance with those requirements.

In our opinion, Vinton-Shellsburg Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Vinton-Shellsburg Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Vinton-Shellsburg Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and 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.

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 internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over compliance during the course of our audit.

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

Oskaloosa, Iowa
November 11, 2010

VINTON-SHELLSBURG 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) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs 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 were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Vinton-Shellsburg Community School District qualified as a low-risk auditee.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-10 Activity Gate Reconciliation – We noted in our testing of gate receipts recorded in the Special Revenue Fund, Activity Fund that a gate ticket reconciliation for a basketball game had not been prepared.

Recommendation – A gate ticket reconciliation should be prepared for all entry points to an activity, comparing tickets sold to cash received and recorded. Any differences should be investigated.

Response – This was an oversight for this game. We will insure that all gate personnel are properly preparing a gate ticket reconciliation.

Conclusion – Response accepted.

II-B-10 Fundraising Activities – We noted in our testing of the Special Revenue Fund, Student Activity receipts that no fundraiser reconciliation was prepared for a band trip fundraiser. We also noted that one fundraiser had remaining unsold inventory and one fundraiser that had not received the profit payment from the vendor.

Recommendation – The District should require and enforce procedures for fundraiser approvals and reconciliations of fundraising receipts claimed to deposits and related expenditures. Any remaining inventories should be closely monitored and slow payments from vendors should be actively pursued. This will ensure accurate record-keeping and help to protect the underlying assets. The District should consider limiting future fundraiser activities for clubs that do not complete a reconciliation of fundraiser activity in a timely manner.

Response – We have spoken to all sponsors and procedures are now in place to address this problem. We will watch this situation carefully in the future.

Conclusion – Response accepted.

VINTON-SHELLSBURG 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 reported.

Internal Control Deficiency:

No matters were reported.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- IV-B-10 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-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.
- IV-D-10 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Denise Wiley, spouse of Board Member Todd Wiley	Substitute teacher associate	\$1,517
Calvin Rickels, spouse of Board Member Megan Rickels	Football coach	\$1,984
Nancy Levis, spouse of Board Member Robert Levis	Substitute teacher	\$1,369
David Gates, spouse of Board Member Sue Gates	Bus Driver	\$8,679

In accordance with Chapter 279.7A of the Code of Iowa, except for the contract with the spouse of Board Member Gates, the transactions with the spouses of the Board Members do not appear to represent conflicts of interest since the cumulative amount was less than \$2,500 for the fiscal year for each person.

Recommendation – In the case of Board Member Gates, the District should document that Ms. Gates had no affect in the hiring process of her spouse. In addition, the limited availability of these services due to the smaller size of the District contributes to the arms-length status of this transaction.

Response – We will properly document the arms-length status of this transaction in the future.

Conclusion – Response accepted.

- 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 – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

- 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 – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-10 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District’s financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance	\$ 1,080,939
Statewide sales and services tax revenue	970,570
Interest	1,927
Expenditures/transfers out:	
Debt service for school infrastructure:	
General obligation debt	<u>(216,558)</u>
Ending balance	<u>\$ 1,836,878</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 2.61097	\$ 970,570

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

IV-M-10 Unsupported Allowance – We noted that one employee received a \$500 allowance for continuing education. However, the allowance was not supported by an invoice or other proof of attendance.

Recommendation – This unsupported reimbursement should be accounted for as a payroll transaction in the future to allow the proper reporting of taxable wage to the Internal Revenue Service and proper tax withholdings.

Response – We will require full supporting documentation in the future to allow any such transaction to be treated as a normal reimbursement of expense.

Conclusion – Response accepted.

IV-N-10 Financial Condition – The District’s governmental activities had a deficit unrestricted net assets balance of \$777,053, and the major fund, General Fund had an unreserved, undesignated deficit balance of \$886,681. In addition, the Special Revenue Fund, Student Activity had several individual accounts with deficit balances at year end. The overall deficit balance in the General Fund worsened by \$246,145 from the prior year and deficit balance.

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

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

Conclusion – Response accepted.