

VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
Officials	4
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-16
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 18
Statement of Activities	B 19
Governmental Fund Financial Statements:	
Balance Sheet	C 20
Reconciliation of the Balance Sheet-	
Governmental Funds to the Statement	
of Net Assets	D 21
Statement of Revenues, Expenditures and	
Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues,	
Expenditures and Changes in Fund Balances-	
Governmental Funds to the Statement of	
Activities	F 23
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 24
Statement of Revenues, Expenses and Changes	
in Fund Net Assets	H 25
Statement of Cash Flows	I 26
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Net Assets	J 27
Notes to Financial Statements	28-44
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues,	
Expenditures/Expenses and Changes in Balances-	
Budget and Actual-All Governmental Funds and	
Proprietary Fund	46
Notes to Required Supplementary Information-	
Budgetary Reporting	47
Schedule of Funding Progress for the Retiree	
Health Plan	48

TABLE OF CONTENTS (continued)

Other Supplementary Information	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	51
Capital Projects Accounts:		
Combining Balance Sheet	3	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	53
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	54
Schedule of Changes in Fiduciary Assets and Liabilities-Agency Fund	6	55
Schedule of Revenues by Source and Expenditures By Function-All Governmental Funds	7	56
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 <u>Government Auditing Standards</u>		57-58
Schedule of Findings		59-61

VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Rick Klann	President	Resigned Feb. 28, 2011
Mark Howard	President	2013
Mark Howard	Vice President	Elected President Feb. 28, 2011
Dawn Daughton	Vice President	2011
Dawn Daughton	Board Member	Elected Vice President Feb. 28, 2011
Mick Olson	Board Member	2011
Celeste Strong	Board Member	2011
Tim Orr	Board Member (appointed Feb. 28, 2011)	2011
School Officials		
Cathy Molumby	Superintendent	2011
Melissa Fettkether	District Treasurer And Business Manager	Indefinite
Carole Nading	District Secretary	Indefinite
Steven A. Wiedner	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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Independent Auditor's Report

To the Board of Education of
Valley 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 Valley Community School District, Elgin, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as 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 Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Valley Community School District at June 30, 2011, 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.

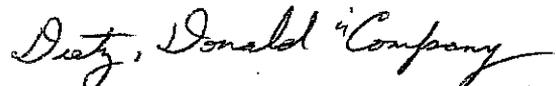
In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2011 on our consideration of Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant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

Management's Discussion and Analysis, and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Valley 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 seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa

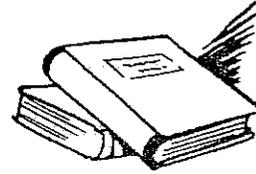
November 10, 2011


Dietz, Donald & Company, CPAs
FEIN 42-1172392

Valley Community School District

Cathleen A. Molumby, Superintendent

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Elgin, IA 52141-9634
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Valley Community School District provides this Management's Discussion and Analysis of its financial statements. The narrative overview and analysis of the financial statements is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$ 4,455,571 in fiscal year 2010 to \$ 4,636,168 in fiscal year 2011, while General Fund expenditures decreased from \$ 4,975,269 to \$ 4,920,527. The District's General Fund balance decreased from \$ 596,303 at the end of fiscal year 2010 to \$ 312,444 at the end of fiscal year 2011, a 48% decrease.
- The fiscal year 2011 General Fund revenue increase was attributable to increases in state foundation aid. The decrease in expenditures was due to bus leases being paid out of the Capital Projects Fund in fiscal year 2011 instead of the General Fund as in fiscal year 2010. The decrease in General Fund balance of \$ 283,859 in fiscal year 2011 was less than the \$ 588,114 decrease in fiscal year 2010, due primarily to cutting General Fund expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree's Health Plan.

Other Supplementary Information provides detailed information about the nonmajor government funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain

services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3. **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District currently has one Fiduciary Fund, an Agency Fund. Agency Funds are funds through which the District administers and accounts for assets that belong to the Northeast Iowa Health Occupation Consortium.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The table below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

	Condensed Statement of Net Assets						
	(Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30	June 30	June 30	June 30	June 30	June 30	2010-11
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 4,608	4,802	29	25	4,637	4,827	-3.9%
Capital assets	3,955	4,187	14	14	3,969	4,201	-5.5%
Total assets	8,563	8,989	43	39	8,606	9,028	-4.7%
Long-term liabilities	2,109	2,258	-	-	2,109	2,258	-6.6%
Other liabilities	2,307	2,283	22	22	2,329	2,305	1.0%
Total liabilities	4,416	4,541	22	22	4,438	4,563	-2.7%
Net assets:							
Invested in capital assets, net of related debt	2,723	2,714	14	14	2,737	2,728	0.3%
Restricted	1,411	1,417	-	-	1,411	1,417	-0.4%
Unrestricted	13	317	7	3	20	320	-93.8%
Total net assets	\$ 4,147	4,448	21	17	4,168	4,465	-6.7%

The District's combined net assets decreased by 6.7%, or approximately \$297,000 from the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt.

The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$ 6,000 or 0.4%.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$ 300,000 or 93.8%. This reduction in unrestricted net assets was a result of a decrease in the General Fund balance of approximately \$ 284,000.

The following table shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010

	Changes in Net Assets (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for service	\$ 541	462	122	128	663	590	12.4%
Operating grants and contributions	891	1,060	127	133	1,018	1,193	-14.7%
General revenues:							
Property tax	1,406	1,531	-	-	1,406	1,531	-8.2%
Statewide sales, services and use tax	273	277	-	-	273	277	-1.4%
Income tax surtax	104	102	-	-	104	102	2.0%
Unrestricted state grants	1,957	1,739	-	-	1,957	1,739	12.5%
Unrestricted investment earnings	22	29	-	-	22	29	-24.1%
Other	112	34	-	-	112	34	229.4%
Total revenues	5,306	5,234	249	261	5,555	5,495	1.1%

Program expenses:							
Governmental activities:							
Instruction	3,599	3,434	-	-	3,599	3,434	4.8%
Support services	1,642	1,686	-	-	1,642	1,686	-2.6%
Non-instructional programs	2	1	245	278	247	279	-11.5%
Other expenses	364	331	-	-	364	331	10.0%
Total expenses	<u>5,607</u>	<u>5,452</u>	<u>245</u>	<u>278</u>	<u>5,852</u>	<u>5,730</u>	<u>2.1%</u>
Change in net assets	<u>\$ -301</u>	<u>-218</u>	<u>4</u>	<u>-17</u>	<u>-297</u>	<u>-235</u>	<u>-26.4%</u>

In fiscal year 2011, property taxes and unrestricted state grants account for 63.4% of governmental activities revenue while charges for service and operating grants and contributions accounted for 100.0% of business type activities revenue.

The District's total revenues were approximately \$ 5.56 million of which approximately \$ 5.31 million was for governmental activities and approximately \$ 250,000 was for business type activities.

As shown above, the District as a whole experienced a 1.1% increase in revenues and a 2.1% increase in expenses. Unrestricted state grants increased approximately \$ 218,000 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$ 5,306,115 and expenses were \$ 5,607,083. In a difficult budget year, the District's deficit increased from approximately \$ 218,000 in fiscal year 2010 to approximately \$ 301,000 in fiscal year 2011.

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 for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
			Change			Change
	2011	2010	2010-11	2011	2010	2010-11
Instruction	\$ 3,599	3,434	4.8%	\$ 2,392	2,232	7.2%
Support services	1,642	1,686	-2.6%	1,620	1,568	3.3%

Non-instructional	2	1	100.0%	2	1	100.0%
Other expenses	<u>364</u>	<u>331</u>	<u>10.0%</u>	<u>161</u>	<u>129</u>	<u>24.8%</u>
Total	<u>\$ 5,607</u>	<u>5,452</u>	<u>2.8%</u>	<u>\$ 4,175</u>	<u>3,930</u>	<u>6.2%</u>

For the year ended June 30, 2011:

The cost financed by users of the District's programs was \$ 541,092.

Federal and state governments subsidized certain programs with grants and contributions totaling \$ 890,781.

The net cost of governmental activities was financed with \$ 1,782,493 in property and other taxes and \$ 1,957,378 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$ 249,043, representing a 4.6% decrease from the prior year, while expenses totaled \$ 245,272, an 11.7% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Valley 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 \$ 2,307,076, well below last year's ending fund balances of \$ 2,526,194. The primary reason for the decrease was a \$ 284,359 decrease in the General Fund.

Governmental Fund Highlights

The General Fund balance decreased from \$ 596,803 to \$ 312,444 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.

The Capital Projects Fund balance increased \$ 27,042 from \$ 1,535,946 in fiscal year 2010 to \$ 1,562,988 in fiscal year 2011.

Proprietary Fund Highlights

Revenues of the District's Nutrition Fund decreased 4.6% to \$ 249,043 while expenses decreased 11.7% to \$ 245,272. The Nutrition Fund's increase in net assets for the fiscal year 2011 was \$ 3,771 bringing its net assets to \$ 21,362.

BUDGETARY HIGHLIGHTS

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget." 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 its agency fund. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the GAAP basis. It is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

A schedule showing original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District's revenues were \$ 172,986 more than budgeted revenues.

Total expenditures were \$ 219,178 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash." It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unassigned General Fund balance) of the District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$ 3.97 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. **(See following chart.)** More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year in the governmental funds was \$ 272,996.

The original cost of the District's capital assets was approximately \$ 6.45 million. Governmental funds accounted for approximately \$ 6.37 million with the remainder of approximately \$ 0.08 million accounted for in the Proprietary, School Nutrition Fund,

The largest change in capital asset activity during the year occurred in the building category. Work on the building façade made up \$ 20,000 of this increase.

	Capital Assets, net of Depreciation (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 33	33	-	-	33	33	0.0%
Site improvements	137	147	-	-	137	147	-6.8%
Buildings	3,261	3,353	-	-	3,261	3,353	-2.7%
Furniture and equipment	524	654	14	14	538	668	-19.5%
Total	\$ 3,955	4,187	14	14	3,969	4,201	-5.5%

Long-Term Debt

At June 30, 2011, the District had \$ 1,985,748 in long-term debt outstanding. This represents a decrease of approximately 8% from last year. (See following chart.)

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$ 5.6 million.

	Outstanding Long-Term Obligations (Expressed in Thousands)		
	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
Revenue bonds	\$ 520	610	-14.8%
Capital loan notes	1,340	1,340	0.0%
Capital leases	126	202	-37.6%
Totals	\$ 1,986	2,152	-7.7%

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Taxable valuation in the District increased 3.8% from \$ 103,629,530 to \$ 107,577,387.
- Enrollment decreased 4.6% in September of 2010, which determines FY12 funding. Combined with 0% allowable growth, the District will receive \$ 218,786 less in state aid for 2011/12. Property tax receipts will increase \$ 146,465 with a 6.2% increase in the tax rate.
- The ending fund balance is budgeted to increase approximately \$ 46,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Melissa Fettkether, Business Manager/Board Treasurer, or Cathleen Molumby, Superintendent.

Basic Financial Statements

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,765,210	12,819	2,778,029
Receivables:			
Property tax:			
Delinquent	24,379	-	24,379
Succeeding year	1,575,008	-	1,575,008
Accounts	-	366	366
Due from other funds	49,770	-	49,770
Due from other governments	193,718	-	193,718
Inventories	-	15,750	15,750
Capital assets, net of accumulated depreciation	3,954,971	13,996	3,968,967
TOTAL ASSETS	<u>8,563,056</u>	<u>42,931</u>	<u>8,605,987</u>
LIABILITIES			
Accounts payable	40,730	1,579	42,309
Salaries and benefits payable	490,819	16,151	506,970
Accrued interest payable	6,258	-	6,258
Deferred revenue:			
Succeeding year property tax	1,575,008	-	1,575,008
Other	194,452	3,839	198,291
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	95,000	-	95,000
Capital leases	61,095	-	61,095
Compensated absences	50,345	-	50,345
Early retirement	7,728	-	7,728
Portion due after one year			
Revenue bonds	425,000	-	425,000
Capital leases	64,653	-	64,653
Notes	1,340,000	-	1,340,000
Early retirement	5,644	-	5,644
Net OPEB liability	59,205	-	59,205
TOTAL LIABILITIES	<u>4,415,937</u>	<u>21,569</u>	<u>4,437,506</u>
NET ASSETS			
Invested in capital assets net of related debt	2,723,313	13,996	2,737,309
Restricted for:			
Categorical funding	176,233	-	176,233
Management levy purposes	345,108	-	345,108
Physical plant and equipment	253,673	-	253,673
Student activities	82,888	-	82,888
Debt service	552,615	-	552,615
Unrestricted	13,289	7,366	20,655
TOTAL NET ASSETS	<u>\$ 4,147,119</u>	<u>21,362</u>	<u>4,168,481</u>

See notes to financial statements.

Exhibit B

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities						
Instruction:						
Regular	\$ 2,137,135	187,619	409,042	(1,540,474)	-	(1,540,474)
Special	1,164,702	165,473	256,364	(742,865)	-	(742,865)
Other	297,075	175,746	13,016	(108,313)	-	(108,313)
	<u>3,598,912</u>	<u>528,838</u>	<u>678,422</u>	<u>(2,391,652)</u>	<u>-</u>	<u>(2,391,652)</u>
Support services:						
Student	140,137	115	9,150	(130,872)	-	(130,872)
Instructional staff	249,343	-	-	(249,343)	-	(249,343)
Administration	610,245	-	-	(610,245)	-	(610,245)
Plant operation and maintenance	434,233	9,226	-	(425,007)	-	(425,007)
Transportation	207,884	2,913	-	(204,971)	-	(204,971)
	<u>1,641,842</u>	<u>12,254</u>	<u>9,150</u>	<u>(1,620,438)</u>	<u>-</u>	<u>(1,620,438)</u>
Non-instructional programs	2,547	-	-	(2,547)	-	(2,547)
Other expenditures						
Facilities acquisition	1,980	-	-	(1,980)	-	(1,980)
Long-term debt interest	24,417	-	-	(24,417)	-	(24,417)
AEA flow through	203,209	-	203,209	-	-	-
Depreciation (unallocated)	134,176	-	-	(134,176)	-	(134,176)
	<u>363,782</u>	<u>-</u>	<u>203,209</u>	<u>(160,573)</u>	<u>-</u>	<u>(160,573)</u>
Total governmental activities	<u>5,607,083</u>	<u>541,092</u>	<u>890,781</u>	<u>(4,175,210)</u>	<u>-</u>	<u>(4,175,210)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	245,272	122,154	126,876	-	3,758	3,758
Total	<u>\$ 245,272</u>	<u>122,154</u>	<u>126,876</u>	<u>(4,175,210)</u>	<u>3,758</u>	<u>(4,171,452)</u>
GENERAL REVENUES:						
Property taxes levied for:						
General purposes				1,341,144	-	1,341,144
Capital outlay				64,642	-	64,642
Statewide sales, services and use tax				272,859	-	272,859
Income tax surtax				103,848	-	103,848
Unrestricted state grants				1,957,378	-	1,957,378
Unrestricted investment earnings				22,278	13	22,291
Other				112,093	-	112,093
Total general revenues				<u>3,874,242</u>	<u>13</u>	<u>3,874,255</u>
Changes in net assets				(300,968)	3,771	(297,197)
Net assets beginning of year				4,448,087	17,591	4,465,678
Net assets end of year				<u>\$ 4,147,119</u>	<u>21,362</u>	<u>4,168,481</u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 887,425	1,496,920	380,865	2,765,210
Receivables:				
Property tax:				
Delinquent	21,351	1,150	1,878	24,379
Succeeding year	1,506,039	68,969	0	1,575,008
Due from other funds	0	41,820	49,770	91,590
Due from other governments	153,631	40,086	1	193,718
TOTAL ASSETS	\$ 2,568,446	1,648,945	432,514	4,649,905
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 39,860	0	870	40,730
Salaries and benefits payable	490,819	0	0	490,819
Due to other funds	41,820	0	0	41,820
Deferred revenue:				
Succeeding year property tax	1,506,039	68,969	0	1,575,008
Other	177,464	16,988	0	194,452
Total liabilities	2,256,002	85,957	870	2,342,829
Fund balances:				
Restricted for:				
Categorical funding	176,233	0	0	176,233
Debt service	0	552,615	3,648	556,263
Management levy purposes	0	0	345,108	345,108
Student activities	0	0	82,888	82,888
School infrastructure	0	756,700	0	756,700
Physical plant and equipment	0	253,673	0	253,673
Assigned	24,707	0	0	24,707
Unassigned	111,504	0	0	111,504
Total fund balances	312,444	1,562,988	431,644	2,307,076
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,568,446	1,648,945	432,514	4,649,905

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total fund balances of governmental funds (page 20)	\$ 2,307,076
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.	3,954,971
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.	(6,258)
Long-term liabilities, including bonds and notes payable, capital leases payable, compensated absences payable, early retirement payable and other post employment retirement benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds	<u>(2,108,670)</u>
Net assets of governmental activities (page 18)	<u>\$ 4,147,119</u>

See notes to financial statements

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,319,272	354,811	108,412	1,782,495
Tuition	209,449	-	-	209,449
Other	197,156	19,174	187,410	403,740
State sources	2,562,070	53	87	2,562,210
Federal sources	348,221	-	-	348,221
Total revenues	<u>4,636,168</u>	<u>374,038</u>	<u>295,909</u>	<u>5,306,115</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,961,180	-	30,622	1,991,802
Special	1,157,964	-	-	1,157,964
Other	122,094	-	174,328	296,422
	<u>3,241,238</u>	<u>-</u>	<u>204,950</u>	<u>3,446,188</u>
Support services:				
Student	137,536	-	1,165	138,701
Instructional staff	213,191	26,917	793	240,901
Administration	573,196	22,931	15,234	611,361
Plant operation and maintenance	412,534	16,194	20,125	448,853
Transportation	137,987	60,523	8,075	206,585
	<u>1,474,444</u>	<u>126,565</u>	<u>45,392</u>	<u>1,646,401</u>
Non-instructional programs	1,636	-	911	2,547
Other expenditures:				
Facilities acquisition	-	34,762	-	34,762
Long-term debt:				
Principal	-	-	165,999	165,999
Interest	-	-	26,127	26,127
AEA flowthrough	203,209	-	-	203,209
	<u>203,209</u>	<u>34,762</u>	<u>192,126</u>	<u>430,097</u>
Total expenditures	<u>4,920,527</u>	<u>161,327</u>	<u>443,379</u>	<u>5,525,233</u>
Excess (deficiency) of revenues over (under) expenditures	(284,359)	212,711	(147,470)	(219,118)
Other financing sources (uses):				
Operating transfers in	-	-	185,669	185,669
Operating transfers out	-	(185,669)	-	(185,669)
Total other financing sources (uses)	-	(185,669)	185,669	-
Net change in fund balances	(284,359)	27,042	38,199	(219,118)
Fund balances beginning of year, as restated	596,803	1,535,946	393,445	2,526,194
Fund balances end of year	<u>\$ 312,444</u>	<u>1,562,988</u>	<u>431,644</u>	<u>2,307,076</u>

See notes to financial statements.

VALLEY 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, 2011

Net change in fund balances - total governmental funds (page 22) \$ (219,118)

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

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

Expenditures for capital assets	\$ 40,782	
Depreciation expense	<u>(272,996)</u>	(232,214)

Repayment of long-term liabilities is an expenditure in the govern- mental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	165,999
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due	1,710
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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	\$ 6,428	
Compensated absences	5,989	
Other postemployment benefits	<u>(29,762)</u>	<u>(17,345)</u>

Changes in net assets of governmental activities (page 19)	\$ <u>(300,968)</u>
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See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 12,819
Accounts receivable	366
Inventories	15,750
Capital assets, net of accumulated depreciation	<u>13,996</u>
TOTAL ASSETS	<u>42,931</u>
LIABILITIES	
Accounts payable	1,579
Salaries and benefits payable	16,151
Deferred revenue	<u>3,839</u>
TOTAL LIABILITIES	<u>21,569</u>
NET ASSETS	
Invested in capital assets	13,996
Unrestricted	<u>7,366</u>
TOTAL NET ASSETS	<u>\$ 21,362</u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 122,154</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	96,829
Benefits	33,552
Purchases services	2,198
Supplies	112,394
Depreciation	<u>299</u>
Total operating expenses	<u>245,272</u>
Operating loss	<u>(123,118)</u>
Non-operating revenues:	
State sources	2,208
Federal sources	124,668
Interest income	<u>13</u>
Total operating revenues	<u>126,889</u>
Increase in net assets	3,771
Net assets beginning of year	<u>17,591</u>
Net assets end of year	<u>\$ 21,362</u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 120,549
Cash paid to employees for services	(128,832)
Cash paid to suppliers for goods or services	<u>(92,011)</u>
Net cash used by operating activities	<u>(100,294)</u>
Cash flows from non-capital financing activities:	
State grants received	2,208
Federal grants received	<u>102,472</u>
Net cash provided by non-capital financing activities	<u>104,680</u>
Cash flows from investing activities:	
Interest on investments	<u>13</u>
Net increase in cash and cash equivalents	4,399
Cash and cash equivalents beginning of year	<u>8,420</u>
Cash and cash equivalents end of year	<u>\$ 12,819</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (123,118)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	22,196
Depreciation	299
Increase in inventories	875
Increase in accounts receivable	(17)
Decrease in accounts payable	(490)
Increase in salaries and benefits payable	1,549
Decrease in deferred revenue	<u>(1,588)</u>
Net cash used by operating activities	<u>\$ (100,294)</u>
Non-cash operating and related non-capital financing activities:	
During the year ended June 30, 2011, the District received \$ 22,196 of federal commodities.	

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2011

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 675
Due from other governments	<u>49,095</u>
TOTAL ASSETS	49,770
LIABILITIES	
Due to other funds	<u>49,770</u>
NET ASSETS	<u>\$ 0</u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies

Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. 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 Clermont, Elgin and Wadena, Iowa and the predominate agricultural territory of eastern Fayette and western Clayton Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan 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, Valley 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. Valley Community School District had no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The District participates in two jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Fayette County Assessor's Conference Board and the Clayton County Assessor's Conference Board.

B. Basis of Presentation

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

Unrestricted net assets consist of net assets that do not meet the definition of the 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 clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The District reports the following major proprietary fund:

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

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

The Agency Fund is used to account for assets held by the District as an agent for other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other

revenue items are considered to be measurable and available only when cash is received by the District.

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

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

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

Proprietary funds distinguish operating revenues and expenses from 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 are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation of 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.

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Boards of Supervisors in April 2010.

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

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

Capital Assets - Capital assets which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repair that do not add to the value of the assets 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Year)</u>
Buildings	20-50
Improvements other than buildings	20
Furniture and equipment	3-12

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 as well as property tax receivable and other receivables not collected within sixty days after year end. Deferred revenue in the proprietary fund financial statement consists of lunch fees collected in advance.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, lunch fees collected in advance and unspent federal grants.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 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 evidence of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$ 828,841 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Restricted Cash - At June 30, 2011, the Bank of America held \$ 365,750 in escrow for retirement of QZAB bonds (see Note 6).

Credit Risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Services.

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General	\$ 41,820
Special Revenue:		
Management Levy	Agency	49,770

The General Fund is repaying the Capital Projects Fund for sales taxes that were initially recorded in the General Fund.

The Agency Fund is repaying the Special Revenue, Management Levy Fund for

items paid by the Special Revenue, Management Levy Fund, while the Agency Fund was awaiting payment from other school districts.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 185,669</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>End</u> <u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 32,907</u>	<u>0</u>	<u>0</u>	<u>32,907</u>
Capital assets being depreciated:				
Buildings	<u>4,933,079</u>	<u>32,782</u>	<u>5,434</u>	<u>4,960,427</u>
Site improvements	<u>199,536</u>	<u>0</u>	<u>0</u>	<u>199,536</u>
Furniture and equipment	<u>1,181,599</u>	<u>8,000</u>	<u>5,750</u>	<u>1,183,849</u>
Total capital assets being Depreciated	<u>6,314,214</u>	<u>40,782</u>	<u>11,184</u>	<u>6,343,812</u>
Less accumulated depreciation for:				
Buildings	<u>1,580,334</u>	<u>124,199</u>	<u>5,434</u>	<u>1,699,099</u>
Site improvements	<u>52,716</u>	<u>9,977</u>	<u>0</u>	<u>62,693</u>
Furniture and equipment	<u>526,886</u>	<u>138,820</u>	<u>5,750</u>	<u>659,956</u>
Total accumulated depreciation	<u>2,159,936</u>	<u>272,996</u>	<u>11,184</u>	<u>2,421,748</u>
Total capital assets being Depreciated, net	<u>4,154,278</u>	<u>(232,214)</u>	<u>0</u>	<u>3,922,064</u>
Governmental activities Capital assets, net	<u>\$ 4,187,185</u>	<u>(232,214)</u>	<u>0</u>	<u>3,954,971</u>

Business type activities:				
Furniture and equipment	\$ 77,581	0	0	77,581
Less accumulated depreciation	<u>63,286</u>	<u>299</u>	<u>0</u>	<u>63,585</u>
Business type activities				
Capital assets, net	<u>\$ 14,295</u>	<u>(299)</u>	<u>0</u>	<u>13,996</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 130,170
Other	653
Support services:	
Instructional staff	7,464
Transportation	533
Unallocated	<u>134,176</u>
Total depreciation expense - governmental activities	<u>\$ 272,996</u>

Business type activities:	
Food service operations	<u>\$ 299</u>

(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30 2011 are summarized below:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 610,000	0	90,000	520,000	95,000
Notes Payable	1,340,000	0	0	1,340,000	0
Capital Leases	201,747	0	75,999	125,748	61,095
Compensated Absences	56,334	4,130	10,119	50,345	50,345
Early Retirement	19,800	0	6,428	13,372	7,728
Net OPEB Liability	<u>29,443</u>	<u>29,762</u>	<u>0</u>	<u>59,205</u>	<u>0</u>
Total	<u>\$ 2,257,324</u>	<u>33,892</u>	<u>182,546</u>	<u>2,108,670</u>	<u>214,168</u>

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	<u>Bond Issue Sep 1, 2003</u>			<u>Bond Issued Dec 28, 2003</u>			<u>Total</u>	
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Rates</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	4.00	95,000	10,615	0	0	95,000	10,615	105,615
2013	4.20	100,000	6,615	0	0	100,000	6,615	106,615
2014	4.30	105,000	2,257	0	220,000	325,000	2,257	327,257
Total		<u>\$ 300,000</u>	<u>19,487</u>	<u>0</u>	<u>220,000</u>	<u>520,000</u>	<u>19,487</u>	<u>539,487</u>

The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. However, the debt is subject to the constitutional debt limitation of the District. The resolution providing for the issuance of the September 1, 2003 statewide sales, services and use tax revenue bonds included the following:

- A] \$ 85,000 of the proceeds from the issuance of the revenue bonds shall be deposited in the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited in the Project Account.
- B] All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- C] Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- D] Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The resolution providing for the issuance of the District's December 28, 2003 statewide sales, services and use tax revenue bond included the following provision:

To provide for the payments of the bonds at maturity there is established with the Bank of America, N.A. of Des Moines, Iowa, an irrevocable trust fund for the benefit of bondholders known as the Escrow Account to be invested as per the Investment Agreement. Annually, on July 1 of each year commencing July 1, 2005, there shall be deposited from the Sinking Fund into the Escrow Fund \$ 22,545 to be invested in accordance with the terms of the Investment Agreement. Such amount has been determined to be sufficient together with invested earnings thereon to pay when due the principal of the bonds. The Escrow Fund is pledged to the payment of the bonds at maturity. At June 30, 2011 the escrow account balance was \$ 143,690.

Notes Payable

During the year ended June 30, 2004, the District issued Capital Loan Notes (Qualified Zone Academy Bonds) to provide funds for the equipping, rehabilitation and repair of the School. The notes bear no interest and are payable from the Special Revenue, Physical Plant and Equipment Levy Fund (PPEL Fund). On July 1 of each year commencing July 1, 2005, there shall be deposited from the PPEL Fund to the Escrow Fund \$ 34,845 to be invested in accordance with the Investment Agreement and held in trust for the benefit of the holders of the Note until final maturity July 1, 2013. At June 30, 2011, the escrow account balance was \$ 222,060. In any year in which taxable valuations within the District are of an amount that the tax collections will be less than \$ 34,845, the District shall certify to each County Auditor an additional tax levy to the full extent of 45 cents per thousand dollars of assessed valuation.

During the year ended June 30, 2009, the District issued Capital Loan Notes (Qualified Zone Academy Bonds) to provide funds for the equipping, rehabilitation and repair of the School. The notes bear no interest and are payable from the PPEL Fund. On February 12 of each year commencing February 12, 2010, there shall be deposited from the PPEL Fund to the Escrow Fund \$ 84,400 to be invested in accordance with the Investment Agreement and held in trust for the benefit of the holders of the Note until final maturity February 12, 2019. In any year in which taxable valuations within the District are of an amount that the tax collections will be less than \$ 84,400, the District will certify to each County Auditor an additional tax levy to the full extent of 45 cents per thousand dollars of assessed valuation. At June 30, 2011, the escrow account balance was \$ 85,518.

During the year ended June 30, 2010, the District issued Capital Loan Notes (Qualified Zone Academy Bonds) to provide funds for the equipping, rehabilitation and repair of the School. The notes bear no interest and are payable from the PPEL Fund. On August 26 of each year commencing August 26, 2010, there shall be deposited from the PPEL Fund to the Escrow Fund \$ 15,600 to be invested in accordance with the Investment Agreement and held in trust for the benefit of the holders of the Note until final maturity August 26, 2019. In any

year in which taxable valuations within the District are of an amount that the tax collections will be less than \$ 15,600, the District will certify to each County Auditor an additional tax levy to the full extent of 45 cents per thousand dollars of assessed valuation. At June 30, 2011, the escrow account balance was \$ 15,600.

Detail of the District's indebtedness under these agreements in effect at June 30, 2011 is as follows:

Year Ending June 30,	December 28, 2003 <u>Capital Loan Notes</u>		February 12, 2009 <u>Capital Loan Notes</u>		August 26, 2009 <u>Capital Loan Notes</u>		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 340,000	0	0	0	0	0	340,000
2019	0	0	844,000	0	0	0	844,000
2020	0	0	0	0	156,000	0	156,000
Total	\$ 340,000	0	844,000	0	156,000	0	1,340,000

Capital Leases

The District entered into lease-purchase agreements in connection with the acquisition of computer equipment. Detail of the District's indebtedness under these agreements in effect at June 30, 2011 is as follows:

Year Ending June 30,	<u>Capital Lease</u> <u>May 19, 2010 @ 5.67%</u>	
	Principal	Interest
2012	\$ 61,095	7,321
2013	64,653	3,763
Total	\$ 125,748	11,084

(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 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 50603-9117

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by state statute.

The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$ 219,813, \$ 193,623, and \$ 189,182, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 76 active and 1 retired members in the plan. Participants must be age 55 or older at retirements.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 34,715
Interest on net OPEB obligation	736
Adjustment to annual required contribution	<u>(2,519)</u>
Annual OPEB cost	32,932
Contributions made	<u>3,170</u>
Increase in net OPEB obligation	29,762
Net OPEB obligation beginning of year	<u>29,443</u>
Net OPEB obligation end of year	<u>\$ 59,205</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$ 3,170 to the medical plan. Plan members eligible for benefits contributed \$ 6,428 or 67% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 31,993	8.0%	\$ 29,443
June 20, 2011	\$ 32,932	9.6%	\$ 59,205

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$ 266,267, with no actuarial accrued value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 266,267. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$ 2.854 million and the ratio of the UAAL to covered payroll was 9.3%. As of June 30, 2011, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual and ultimate medical trend

rates are 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male). Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$ 1,014 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on a closed group basis over 30 years.

(9) Risk Management

Valley Community School District is exposed to various risks of loss related to torts; thefts; 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 for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$ 203,209 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Lease Commitments

The District has various leases for equipment which are classified as operating leases. Rent expenses for all operating leases for the year ended June 30, 2011 totaled \$ 72,599.

Future minimum lease payments under the non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2012	\$ 48,622
2013	35,501
2014	4,525

(12) Assigned Fund Balances

The District's assigned fund balances relate entirely to General Fund are comprised of the following:

<u>Program</u>	<u>Amount</u>
Pepsi	\$ 4,192
Spell-A-Thon	12,922
Green Schools	6,047
Project Butterfly	<u>1,546</u>
Total	<u>\$ 24,707</u>

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 986,978	548,968
Change in fund type classification per Implementation of GASB Statement no. 54	<u>548,968</u>	<u>(548,968)</u>
Balances July 1, 2010, as restated	<u>\$ 1,535,946</u>	<u>0</u>

Required Supplementary Information

VALLEY 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, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts	Budget to Actual Variance
Revenues:					
Local sources	\$ 2,388,299	122,167	2,510,466	2,301,510	208,956
State sources	2,562,210	2,208	2,564,418	2,782,677	(218,259)
Federal sources	348,221	124,668	472,889	290,600	182,289
Total revenues	<u>5,298,730</u>	<u>249,043</u>	<u>5,547,773</u>	<u>5,374,787</u>	<u>172,986</u>
Expenditures/Expenses:					
Instruction	3,446,188	-	3,446,188	3,463,500	17,312
Support services	1,646,401	-	1,646,401	1,778,919	132,518
Non-instructional programs	2,547	245,272	247,819	260,872	13,053
Other expenditures	430,097	-	430,097	486,392	56,295
Total expenditures/expenses	<u>5,525,233</u>	<u>245,272</u>	<u>5,770,505</u>	<u>5,989,683</u>	<u>219,178</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(226,503)	3,771	(222,732)	(614,896)	392,164
Other financing sources, net	-	-	-	14,200	(14,200)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing sources	(226,503)	3,771	(222,732)	(600,696)	377,964
Balances beginning of year	2,526,194	17,591	2,543,785	2,131,676	412,109
Balances end of year	<u>\$ 2,299,691</u>	<u>21,362</u>	<u>2,321,053</u>	<u>1,530,980</u>	<u>790,073</u>

See accompanying independent auditor's report and notes to required supplementary information-budgetary reporting.

Valley Community School District

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2011

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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (In Thousands)
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	262	262	0.0%	\$ 2,476	10.6%
2011	July 1, 2009	-	266	266	0.0%	2,854	9.3

Other Supplementary Information

VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
ASSETS				
Cash and pooled investments	\$ 293,459	83,758	3,648	380,865
Receivables:				
Property tax:				
Delinquent	1,878	-	-	1,878
Due from other funds	49,770	-	-	49,770
Due from other governments	1	-	-	1
TOTAL ASSETS	\$ 345,108	83,758	3,648	432,514
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	870	-	870
Fund Balances:				
 Restricted for:				
Management levy purposes	345,108	-	-	345,108
Student activities	-	82,888	-	82,888
Debt service	-	-	3,648	3,648
Total fund balances	345,108	82,888	3,648	431,644
TOTAL LIABILITIES AND FUND BALANCES	\$ 345,108	83,758	3,648	432,514

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 108,412	-	-	108,412
Other	7,562	179,793	55	187,410
State sources	87	-	-	87
Total revenues	<u>116,061</u>	<u>179,793</u>	<u>55</u>	<u>295,909</u>
Expenditures:				
Current:				
Instruction:				
Regular	30,622	-	-	30,622
Other	-	174,328	-	174,328
Support services:				
Student	1,165	-	-	1,165
Instructional staff	793	-	-	793
Administration	15,234	-	-	15,234
Plant operation and maintenance	20,125	-	-	20,125
Transportation	8,075	-	-	8,075
Non-instructional programs	911	-	-	911
Other expenditures:				
Long-term debt:				
Principal	-	-	165,999	165,999
Interest and fiscal charges	-	-	26,127	26,127
Total ex- penditures	<u>76,925</u>	<u>174,328</u>	<u>192,126</u>	<u>443,379</u>
Excess (deficiency) of revenues over (under) expenditures	39,136	5,465	(192,071)	(147,470)
Other financing sources:				
Operating transfers in	-	-	185,669	185,669
Excess (deficiency) of revenues and other financing sources over (under) expenditures	39,136	5,465	(6,402)	38,199
Fund balances beginning of year	<u>305,972</u>	<u>77,423</u>	<u>10,050</u>	<u>393,445</u>
Fund balances end of year	<u>\$ 345,108</u>	<u>82,888</u>	<u>3,648</u>	<u>431,644</u>

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 Year Ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,006,738	490,182	1,496,920
Receivables:			
Property tax:			
Delinquent	-	1,150	1,150
Succeeding year	-	68,969	68,969
Due from other funds	41,820	-	41,820
Due from other governments	23,097	16,989	40,086
TOTAL ASSETS	\$ 1,071,655	577,290	1,648,945
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	68,969	68,969
Other	-	16,988	16,988
Total liabilities	-	85,957	85,957
Fund Balances:			
Restricted for:			
Debt service	314,955	237,660	552,615
School infrastructure	756,700	-	756,700
Physical plant and equipment	-	253,673	253,673
Total fund balances	1,071,655	491,333	1,562,988
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,071,655	577,290	1,648,945

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 272,859	81,952	354,811
Other	13,681	5,493	19,174
State sources	-	53	53
Total revenues	<u>286,540</u>	<u>87,498</u>	<u>374,038</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	26,917	26,917
Administration	-	22,931	22,931
Plant operation and maintenance	16,194	-	16,194
Transportation	-	60,523	60,523
Other expenditures:			
Facilities acquisition	-	34,762	34,762
Total expenditures	<u>16,194</u>	<u>145,133</u>	<u>161,327</u>
Excess (deficiency) of revenues over (under) expenditures	270,346	(57,635)	212,711
Other financing uses:			
Operating transfers out	<u>(185,669)</u>	-	<u>(185,669)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	84,677	(57,635)	27,042
Fund balances beginning of year, as restated	<u>986,978</u>	<u>548,968</u>	<u>1,535,946</u>
Fund balances end of year	<u>\$ 1,071,655</u>	<u>491,333</u>	<u>1,562,988</u>

See accompanying independent auditor's report.

Schedule 5

VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND STUDENT ACTIVITY ACCOUNTS
 Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Interest	\$ 449	-	-	(449)	-
Drama	7,157	3,152	1,007	(5,385)	3,917
Junior High Drama	2,295	212	504	-	2,003
Speech	(449)	634	1,219	1,034	-
Vocal Music	15,106	3,050	1,988	(16,000)	168
Music Trip	-	70	-	-	70
Instrumental Music	4,235	1,747	1,338	-	4,644
Band Carnival	13,392	7,544	2,299	(18,238)	399
Band Uniforms	14,968	65	-	-	15,033
Music Fundraisers	-	14,375	8,175	-	6,200
Junior High Athletics	(16,363)	432	2,307	18,238	-
Youth Baseball/Softball	98	-	98	-	-
Football Cheerleaders	(41)	-	-	41	-
Drill Team	729	824	1,466	-	87
Wrestling Cheerleaders	201	-	110	-	91
Girls' Track Fundraiser	2,998	1,083	244	-	3,837
Boys' Track Fundraiser	-	325	-	-	325
Cross Country Fundraiser	2,310	1,834	1,000	-	3,144
Boys' Basketball Fundraiser	2,210	3,224	3,148	-	2,286
Football Fundraiser	13,508	9,200	9,104	(753)	12,851
Baseball Fundraiser	276	2,386	2,311	-	351
Wrestling Fundraiser	932	194	51	-	1,075
Girls' Basketball Fundraiser	2,600	1,372	2,292	-	1,680
Girls' State Basketball Tournament	684	-	207	-	477
Volleyball Fundraiser	2,222	1,177	1,003	-	2,396
Softball Fundraiser	1,745	2,778	2,634	-	1,889
Cinder Track	98	121	-	-	219
General Athletics	(21,943)	46,906	41,716	16,753	-
Student O	1,456	4,225	3,805	-	1,876
Athletic Resale	7,307	495	7,802	-	-
FFA	4,062	41,939	38,532	-	7,469
National Honor Society	-	245	245	-	-
Student Council	(984)	2,288	6,063	4,759	-
Junior High Council	876	3,433	2,845	-	1,464
Yearbook	6,508	6,966	12,509	-	965
Class of 2011	5,833	2,231	6,602	-	1,462
Class of 2012	731	14,032	11,691	-	3,072
Class of 2013	1,390	493	13	-	1,870
Class of 2014	611	220	-	-	831
Class of 2015	217	250	-	-	467
Class of 2016	-	130	-	-	130
Class of 2017	-	140	-	-	140
Total	\$ 77,424	179,792	174,328	-	82,888

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ -	135,895	135,220	675
Due from other governments	37,728	49,095	37,728	49,095
TOTAL ASSETS	\$ 37,728	184,990	172,948	49,770
LIABILITIES				
Accounts payable	\$ -	135,220	135,220	-
Due to other funds	37,728	49,770	37,728	49,770
TOTAL LIABILITIES	\$ 37,728	184,990	172,948	49,770

See accompanying independent auditor's report.

Schedule 7

VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,782,495	1,909,933	1,894,099	1,906,664	1,775,571	1,778,963	1,766,838	1,688,618
Tuition	209,449	138,133	91,017	113,533	106,734	85,134	80,288	113,882
Other	403,740	373,340	349,125	296,143	263,299	329,152	296,600	257,836
Intermediate sources	-	-	-	-	6,460	-	-	-
State sources	2,562,210	2,246,320	2,640,325	2,783,929	2,624,274	2,533,585	2,387,749	2,217,454
Federal sources	348,221	566,768	280,828	209,152	197,139	225,582	419,049	1,050,836
Total	\$ 5,306,115	5,234,494	5,255,394	5,309,421	4,973,477	4,952,416	4,950,524	5,328,626
Expenditures:								
Instruction:								
Regular	\$ 1,991,802	2,252,887	1,843,788	1,896,250	1,804,343	1,658,069	1,617,642	1,672,441
Special	1,157,964	1,001,149	874,493	851,606	885,510	889,263	764,552	651,501
Other	296,422	346,875	278,325	274,651	264,223	306,623	368,660	421,808
Support services:								
Student	138,701	191,771	181,668	152,853	108,143	106,469	109,244	97,044
Instructional staff	240,901	238,485	163,025	145,670	143,392	146,601	110,504	145,799
Administration	611,361	559,277	522,636	491,057	512,477	537,970	520,321	483,493
Plant operation and maintenance	448,853	530,620	731,418	387,980	363,446	458,363	367,752	372,824
Transportation	206,585	341,598	226,657	216,711	208,027	156,996	212,092	233,259
Central support	-	-	-	-	-	-	1,813	1,574
Non-instructional programs	2,547	1,563	793	1,458	1,318	2,712	750	564
Other expenditures:								
Facilities acquisition	34,762	551,525	81,255	35,575	112,109	43,597	591,851	1,334,186
Long-term debt:								
Principal	165,999	177,519	104,696	221,671	220,000	220,000	215,000	135,000
Interest and other charges	26,127	20,136	22,371	30,333	37,954	46,747	54,828	90,423
AEA flowthrough	203,209	201,734	186,928	186,469	177,469	172,207	169,150	169,534
Total	\$ 5,525,233	6,415,139	5,218,053	4,892,284	4,838,411	4,745,617	5,104,159	5,809,450

See accompanying independent auditor's report.

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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
Valley Community School District

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

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow managements 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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.

Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Valley 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 Valley Community School District and other parties to whom Valley Community School District may report. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Valley 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.

Elkader, Iowa



November 10, 2011

Dietz, Donald & Company, CPAs
FEIN 42-1172392

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
Year Ended June 30, 2011

Part I: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES IN INTERNAL CONTROL:

No material weaknesses were identified.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

Part II: Other Findings Related to Statutory Reporting

- II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.
- II-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979 were noted.
- II-C-11 Travel Expense -No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-F-11 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
Year Ended June 30, 2011

II-G-11 Certified Enrollment - Variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Recommendation - The District should take care that the certified enrollment data is accurate. We will contact the Department of Management and the Department of Education notifying them of the difference.

Response - The certified enrollment mistake occurred because a family moved out of the District before October 1, but the students were still enrolled in the District. We will be more careful in the future when dealing with similar situations.

Conclusion - Response accepted.

II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

II-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-11 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2011

Beginning balance		\$ 986,978
Revenues:		
Sales tax revenues	\$ 272,859	
Other local revenues	<u>13,681</u>	<u>286,540</u>
		1,273,518
Expenditures/transfers out:		
Equipment	\$ 16,194	
Transfers to debt service fund	<u>185,669</u>	<u>201,863</u>
Ending balance		<u>\$ 1,071,655</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-11 Revenue Bonds- The District did not make all of the annual transfers to the escrow accounts as required by the revenue bond resolutions.

Recommendation - The District should make all of the required annual transfers to escrow accounts as required by the revenue bond resolutions.

Response - The necessary transfers have been made.

Conclusion - Response accepted.