

VILLISCA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Villisca Community School District

Officials

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

VILLISCA COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Villisca Community School District, Villisca, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Villisca Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2012 on our consideration of the Villisca Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Villisca Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Villisca Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$3,598,196 in fiscal 2010 to \$4,110,492 in fiscal 2011, while General Fund expenditures also increased from \$3,672,228 in fiscal 2010 to \$3,822,632 in fiscal 2011. The result is an increase in the District's General Fund balance from \$111,848 in fiscal 2010 to a balance of \$399,708 in fiscal 2011, an increase of 257.37% from the prior year.
- Board approval of \$170,000 of Statewide Sales, Service and Use Tax income toward payment of outstanding General Obligation Bond indebtedness helps reduce the property tax rate for patrons.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

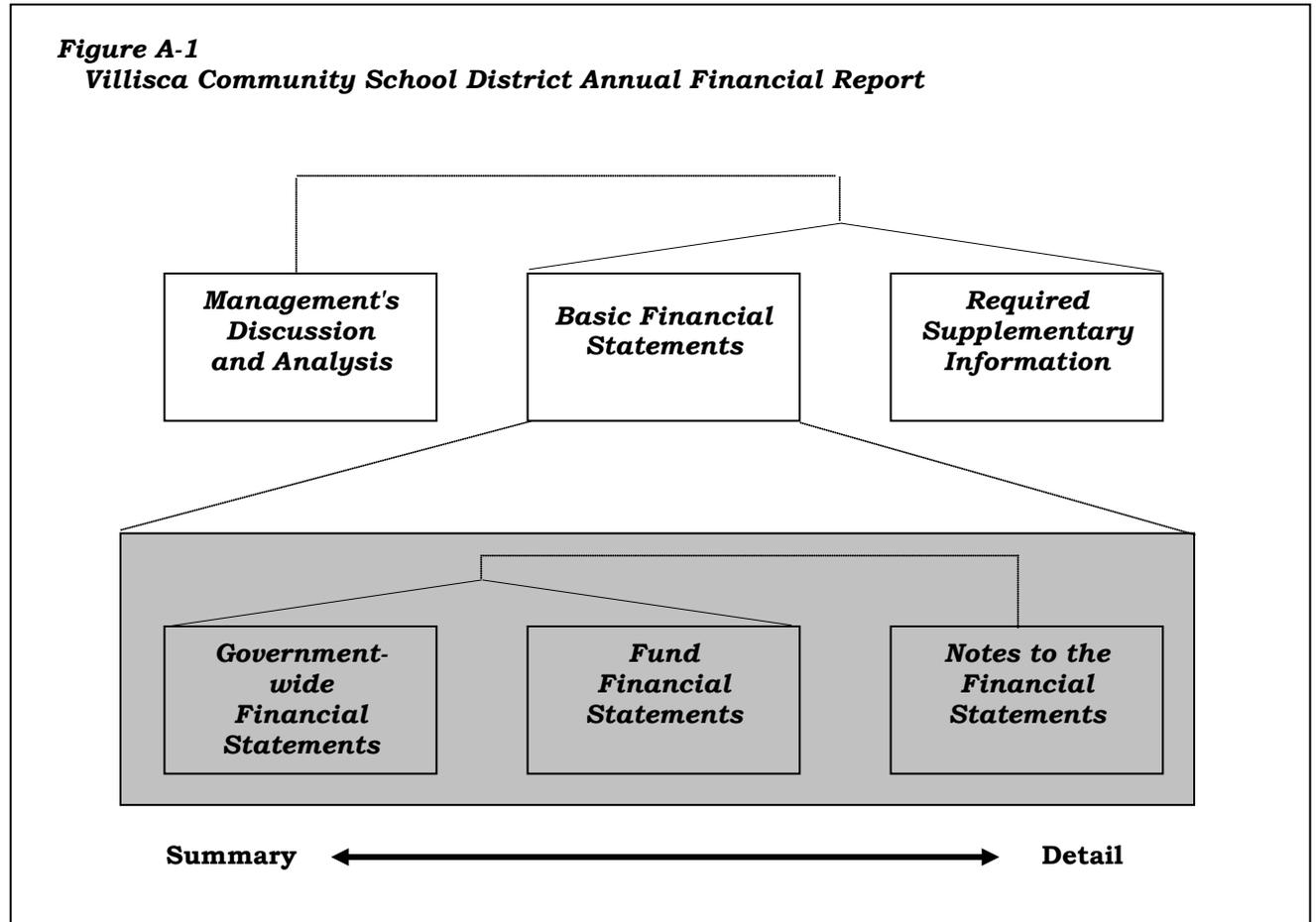


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 3,853,407	3,616,432	23,310	21,232	3,876,717	3,637,664	6.57%
Capital assets	3,617,285	3,759,537	29,644	34,261	3,646,929	3,793,798	-3.87%
Total assets	7,470,692	7,375,969	52,954	55,493	7,523,646	7,431,462	1.24%
Long-term obligations	2,134,081	2,252,856	0	0	2,134,081	2,252,856	-5.27%
Other liabilities	2,238,500	2,257,251	2,136	1,623	2,240,636	2,258,874	-0.81%
Total liabilities	4,372,581	4,510,107	2,136	1,623	4,374,717	4,511,730	-3.04%
Net assets:							
Invested in capital assets, net of related debt	1,567,285	1,524,537	29,644	34,261	1,596,929	1,558,798	2.45%
Restricted	1,194,301	1,262,460	0	0	1,194,301	1,262,460	-5.40%
Unrestricted	336,525	78,865	21,174	19,609	357,699	98,474	263.24%
Total net assets	\$ 3,098,111	2,865,862	50,818	53,870	3,148,929	2,919,732	7.85%

The District's combined net assets increased by 7.85%, or \$229,197, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$68,159 or 5.40% over to the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$259,225 or 263.24%. This was a result of an increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2011 compared to the year ended June 30, 2010.

	Figure A-4 Changes in Net Assets						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 273,909	197,497	79,849	99,089	353,758	296,586	19.28%
Operating grants and contributions and restricted interest	527,199	927,452	119,807	126,063	647,006	1,053,515	-38.59%
Capital grants and contributions and restricted interest	11,346	0	0	0	11,346	0	100.00%
General revenues:							
Local tax	1,750,143	1,652,486	0	0	1,750,143	1,652,486	5.91%
Statewide sales, services and use tax	245,833	230,813	0	0	245,833	230,813	6.51%
Unrestricted state grants	1,740,444	1,273,390	0	0	1,740,444	1,273,390	36.68%
Nonspecific program federal grants	117,632	0	0	0	117,632	0	100.00%
Other	68,754	136,424	6,696	21	75,450	136,445	-44.70%
Transfers	0	(178,126)	0	0	0	(178,126)	100.00%
Total revenues	4,735,260	4,239,936	206,352	225,173	4,941,612	4,465,109	10.67%
Program expenses:							
Governmental activities:							
Instructional	2,873,391	2,609,900	0	0	2,873,391	2,609,900	10.10%
Support services	1,290,593	1,324,886	2,576	0	1,293,169	1,324,886	-2.39%
Non-instructional programs	737	604	206,828	218,959	207,565	219,563	-5.46%
Other expenses	338,290	495,312	0	0	338,290	495,312	-31.70%
Total expenses	4,503,011	4,430,702	209,404	218,959	4,712,415	4,649,661	1.35%
Changes in net assets	232,249	(190,766)	(3,052)	6,214	229,197	(184,552)	-224.19%
Net assets beginning of year, as restated	2,865,862	3,056,628	53,870	47,656	2,919,732	3,104,284	-5.95%
Net assets end of year	\$ 3,098,111	2,865,862	50,818	53,870	3,148,929	2,919,732	7.85%

In fiscal 2011, local tax and unrestricted state grants account for 73.71% of the revenue from governmental activities while charges for services and operating grants and contributions account for 96.76% of the revenue from business type activities.

The District's total revenues were \$4,941,682 of which \$4,735,330 was for governmental activities and \$206,352 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.67% increase in revenues and a 1.35% increase in expenses. The increase in expenses was a result of the increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$4,735,330 and expenses were \$4,503,011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Total Cost of Services			Net Cost of Services			
		Change			Change	
	2011	2010	2010-11	2011	2010	2010-11
\$	2,873,391	2,609,900	10.10%	2,239,587	1,641,385	36.44%
	1,290,593	1,324,886	-2.59%	1,268,639	1,324,886	-4.25%
	737	604	22.02%	737	604	22.02%
	338,290	495,312	-31.70%	181,594	338,878	-46.41%
\$	4,503,011	4,430,702	1.63%	3,690,557	3,305,753	11.64%

- The cost financed by users of the District's programs was \$273,909.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$538,545.
- The net cost of governmental activities was financed with \$1,750,213 in local tax, \$245,833 in statewide sales, services and use tax, \$1,740,444 in unrestricted state grants, \$117,632 in nonspecific program federal grants, \$13,565 in interest income, and \$55,189 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$206,352 and expenses were \$209,404. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and capital contributions.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,570,573, from last year's ending fund balances of a \$1,317,244.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. The District had increased revenues for the year ended June 30, 2011, its revenues exceeded expenses causing an increase in the General Fund balance.
- The Capital Projects Accounts balance decreased from a restated balance of \$831,677 at the beginning of the fiscal year 2011 to \$816,134. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The decrease was the result of capital expenditures and transfers out in excess of property tax and statewide sales, services and use tax revenues.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$53,870 at June 30, 2010 to \$50,818 at June 30, 2011, representing a decrease of approximately 5.67%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$135,805 less than budgeted revenues, a variance of 2.68%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$3,646,929, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.87% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$165,523.

The original cost of the District's capital assets was \$6,171,994. Governmental funds account for \$5,998,801 with the remainder of \$173,193 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. This category totaled \$307,335 at June 30, 2010, compared to \$255,559 reported at June 30, 2011. This net decrease resulted from the current year depreciation exceeding capital expenditures.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	2010-11
Land	\$ 18,650	18,650	0	0	18,650	18,650	0.00%
Buildings	3,362,080	3,456,414	0	0	3,362,080	3,456,414	-2.73%
Land Improvements	10,640	11,399	0	0	10,640	11,399	-6.66%
Machinery and equipment	225,915	273,074	29,644	34,261	255,559	307,335	-16.85%
Total	\$ 3,617,285	3,759,537	29,644	34,261	3,646,929	3,793,798	-3.87%

Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$2,134,081 in general obligation bonds, early retirement, and a net OPEB liability. This represents a decrease of 5.27% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total	Total	Total
	School District	Change	
	June 30,	June 30,	
	2011	2010	2010-11
General obligation bonds	2,050,000	2,235,000	-8.28%
Early retirement	48,901	0	100.00%
Net OPEB liability	35,180	17,856	97.02%
Total	<u>\$ 2,134,081</u>	<u>2,252,856</u>	<u>-5.27%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced declining enrollment for a few years, the District expects the enrollment to remain stable.
- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

VILLISCA COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,798,584	19,282	1,817,866
Receivables:			
Property tax:			
Delinquent	29,646	0	29,646
Succeeding year	1,812,015	0	1,812,015
Income surtax	57,648	0	57,648
Due from other governments	155,514	0	155,514
Inventories	0	4,028	4,028
Capital assets, net of accumulated depreciation	3,617,285	29,644	3,646,929
Total Assets	7,470,692	52,954	7,523,646
Liabilities			
Accounts payable	105,693	104	105,797
Salaries and benefits payable	306,278	0	306,278
Accrued interest payable	13,314	0	13,314
Deferred revenue:			
Succeeding year property tax	1,812,015	0	1,812,015
Other	1,200	0	1,200
Unearned revenues	0	2,032	2,032
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	195,000	0	195,000
Early retirement	48,901	0	48,901
Portion due after one year:			
General obligation bonds	1,855,000	0	1,855,000
Net OPEB liability	35,180	0	35,180
Total Liabilities	4,372,581	2,136	4,374,717
Net Assets			
Invested in capital assets, net of related debt	1,567,285	29,644	1,596,929
Restricted for:			
Categorical funding	72,337	0	72,337
School infrastructure	599,007	0	599,007
Physical plant & equipment	217,127	0	217,127
Management levy purposes	172,349	0	172,349
Student activities	33,400	0	33,400
Debt service	100,081	0	100,081
Unrestricted	336,525	21,174	357,699
Total Net Assets	\$ 3,098,111	50,818	3,148,929

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Contributions and Restricted Services	Contributions and Restricted Interest	Capital Grants, and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,683,906	57,286	101,325	0	(1,525,295)	0	(1,525,295)
Special	453,281	46,811	20,934	0	(385,536)	0	(385,536)
Other	736,204	169,812	237,636	0	(328,756)	0	(328,756)
	<u>2,873,391</u>	<u>273,909</u>	<u>359,895</u>	<u>0</u>	<u>(2,239,587)</u>	<u>0</u>	<u>(2,239,587)</u>
Support services:							
Student	55,452	0	0	0	(55,452)	0	(55,452)
Instructional staff	152,257	0	3,509	0	(148,748)	0	(148,748)
Administration	453,367	0	0	0	(453,367)	0	(453,367)
Operation and maintenance of plant	432,483	0	0	11,346	(421,137)	0	(421,137)
Transportation	197,034	0	7,099	0	(189,935)	0	(189,935)
	<u>1,290,593</u>	<u>0</u>	<u>10,608</u>	<u>11,346</u>	<u>(1,268,639)</u>	<u>0</u>	<u>(1,268,639)</u>
Non-instructional programs:							
Food service operations	737	0	0	0	(737)	0	(737)
Other expenses:							
Long-term debt interest	86,501	0	0	0	(86,501)	0	(86,501)
AEA flowthrough	156,696	0	156,696	0	0	0	0
Depreciation(unallocated)*	95,093	0	0	0	(95,093)	0	(95,093)
	<u>338,290</u>	<u>0</u>	<u>156,696</u>	<u>0</u>	<u>(181,594)</u>	<u>0</u>	<u>(181,594)</u>
Total governmental activities	4,503,011	273,909	527,199	11,346	(3,690,557)	0	(3,690,557)
Business Type activities:							
Support services:							
Operation and maintenance of plant	2,576	0	0	0	(2,576)	0	(2,576)
Non-instructional programs:							
Nutrition services	206,828	79,849	119,807	0	0	(7,172)	(7,172)
Total business type activities	<u>209,404</u>	<u>79,849</u>	<u>119,807</u>	<u>0</u>	<u>0</u>	<u>(9,748)</u>	<u>(9,748)</u>
Total	<u>\$ 4,712,415</u>	<u>353,758</u>	<u>647,006</u>	<u>11,346</u>	<u>(3,690,557)</u>	<u>(9,748)</u>	<u>(3,700,305)</u>
General Revenue:							
Local tax for:							
General purposes					\$ 1,641,816	0	1,641,816
Capital outlay					44,320	0	44,320
Statewide sales, services and use tax					245,833	0	245,833
Income surtax					64,007	0	64,007
Unrestricted state grants					1,740,444	0	1,740,444
Nonspecific program federal grants					117,632	0	117,632
Unrestricted investment earnings					13,565	22	13,587
Other					55,189	6,674	61,863
Total general revenues					<u>3,922,806</u>	<u>6,696</u>	<u>3,929,502</u>
Changes in net assets					232,249	(3,052)	229,197
Net assets beginning of year					<u>2,865,862</u>	<u>53,870</u>	<u>2,919,732</u>
Net assets end of year					<u>\$ 3,098,111</u>	<u>50,818</u>	<u>3,148,929</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Capital			
	General	Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 696,875	747,545	354,164	1,798,584
Receivables:				
Property tax:				
Delinquent	27,551	779	1,316	29,646
Succeeding year	1,527,856	58,874	225,285	1,812,015
Income surtax	0	57,648	0	57,648
Due from other governments	87,613	67,901	0	155,514
Total Assets	\$ 2,339,895	932,747	580,765	3,853,407
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 104,853	91	749	105,693
Salaries and benefits payable	306,278	0	0	306,278
Deferred revenue:				
Succeeding year property tax	1,527,856	58,874	225,285	1,812,015
Income surtax	0	57,648	0	57,648
Other	1,200	0	0	1,200
Total liabilities	1,940,187	116,613	226,034	2,282,834
Fund balances:				
Restricted for:				
Categorical funding	72,337	0	0	72,337
School infrastructure	0	599,007	0	599,007
Physical plant and equipment	0	217,127	0	217,127
Management levy purposes	0	0	221,250	221,250
Student activities	0	0	33,400	33,400
Debt service	0	0	100,081	100,081
Unassigned	327,371	0	0	327,371
Total fund balances	399,708	816,134	354,731	1,570,573
Total Liabilities and Fund Balances	\$ 2,339,895	932,747	580,765	3,853,407

VILLISCA 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)	\$ 1,570,573
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,617,285
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,314)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	57,648
Long-term liabilities, including general obligation bonds payable, early retirement benefits payable and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,134,081)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 3,098,111</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Capital			Total
	General	Projects	Nonmajor	
REVENUES:				
Local sources:				
Local tax	\$ 1,566,952	352,997	74,864	1,994,813
Tuition	90,042	0	0	90,042
Other	86,370	7,115	177,826	271,311
Intermediate sources	0	11,346	0	11,346
State sources	2,027,330	25	42	2,027,397
Federal sources	339,188	0	0	339,188
Total revenues	<u>4,109,882</u>	<u>371,483</u>	<u>252,732</u>	<u>4,734,097</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,598,748	0	14,690	1,613,438
Special	451,865	0	0	451,865
Other	554,508	0	176,375	730,883
	<u>2,605,121</u>	<u>0</u>	<u>191,065</u>	<u>2,796,186</u>
Support services:				
Student	53,872	0	737	54,609
Instructional staff	103,376	46,280	1,756	151,412
Administration	421,933	23,023	5,906	450,862
Operation and maintenance of plant	342,145	9,273	27,264	378,682
Transportation	139,489	0	14,993	154,482
	<u>1,060,815</u>	<u>78,576</u>	<u>50,656</u>	<u>1,190,047</u>
Non-instructional:				
Food service operations	0	0	737	737
Other expenditures:				
Facilities acquisitions	0	64,977	0	64,977
Long-term debt:				
Principal	0	0	185,000	185,000
Interest and fiscal charges	0	0	87,735	87,735
AEA flowthrough	156,696	0	0	156,696
	<u>156,696</u>	<u>64,977</u>	<u>272,735</u>	<u>494,408</u>
Total expenditures	<u>3,822,632</u>	<u>143,553</u>	<u>515,193</u>	<u>4,481,378</u>
Excess(deficiency) of revenues over(under) expenditures	287,250	227,930	(262,461)	252,719
Other financing sources(uses):				
Transfers in	0	0	243,473	243,473
Transfers out	0	(243,473)	0	(243,473)
Sale of equipment	610	0	0	610
Total other financing sources(uses)	<u>610</u>	<u>(243,473)</u>	<u>243,473</u>	<u>610</u>
Net change in fund balances	287,860	(15,543)	(18,988)	253,329
Fund balances beginning of year, as restated	111,848	831,677	373,719	1,317,244
Fund balances end of year	<u>\$ 399,708</u>	<u>816,134</u>	<u>354,731</u>	<u>1,570,573</u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 253,329

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

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

Capital outlays	\$ 18,654	
Depreciation expense	<u>(160,906)</u>	(142,252)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 1,163

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 185,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,234

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

Early retirement	(48,901)	
Other postemployment benefits	<u>(17,324)</u>	<u>(66,225)</u>

Changes in net assets of governmental activities(page 19) \$ 232,249

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and cash equivalents	\$ 19,282
Inventories	4,028
Capital assets, net of accumulated depreciation	<u>29,644</u>
Total Assets	<u>52,954</u>
Liabilities	
Accounts payable	104
Unearned revenues	<u>2,032</u>
Total Liabilities	<u>2,136</u>
Net Assets	
Invested in capital assets	29,644
Unrestricted	<u>21,174</u>
Total Net Assets	<u>\$ 50,818</u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 79,849
Miscellaneous	6,674
TOTAL OPERATING REVENUES	86,523
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	1,697
Supplies	879
	2,576
Non-instructional programs:	
Food service operations:	
Salaries	75,578
Benefits	10,874
Services	168
Supplies	115,591
Depreciation	4,617
	206,828
TOTAL OPERATING EXPENSES	209,404
OPERATING LOSS	(122,881)
NON-OPERATING REVENUES:	
Interest	22
State sources	1,821
Federal sources	117,986
TOTAL NON-OPERATING REVENUES	119,829
Change in net assets	(3,052)
Net assets beginning of year	53,870
Net assets end of year	\$ 50,818

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 80,258
Cash received from miscellaneous operating activities	6,674
Cash payments to employees for services	(86,452)
Cash payments to suppliers for goods or services	(107,971)
Net cash used in operating activities	(107,491)
Cash flows from non-capital financing activities:	
State grants received	1,821
Federal grants received	107,990
Net cash provided by non-capital financing activities	109,811
Cash flows from investing activities:	
Interest on investments	22
Net increase in cash and cash equivalents	2,342
Cash and cash equivalents at beginning of year	16,940
Cash and cash equivalents at end of year	\$ 19,282
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (122,881)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Commodities consumed	9,996
Depreciation	4,617
Decrease in inventories	264
Increase in accounts payable	104
Increase in unearned revenue	409
Net cash used in operating activities	\$ (107,491)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$9,996.

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and cash equivalents	\$ 171,524
LIABILITIES	0
NET ASSETS	
Restricted for scholarships	\$ 171,524

SEE NOTES TO FINANCIAL STATEMENTS.

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2011

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,250
Interest income	1,384
Total additions	<u>2,634</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	<u>5,600</u>
Change in net assets	(2,966)
Net assets beginning of year	<u>174,490</u>
Net assets end of year	<u>\$ 171,524</u>

SEE NOTES TO FINANCIAL STATEMENTS.

VILLISCA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted and then 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 Board 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, machinery and equipment, and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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.

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government obligations Portfolio which are valued at an amortized cost of \$11,852 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide sales, services and use tax	\$ 170,000
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>73,473</u>
Total		<u>\$ 243,473</u>

Transfers from Capital Projects: Statewide sales, services and use tax and Capital Projects: Physical Plant and Equipment Levy to the Debt Service fund were both for payments of debt relief for general obligation bonds.

(4) Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,650	0	0	18,650
Total capital assets not being depreciated	<u>18,650</u>	<u>0</u>	<u>0</u>	<u>18,650</u>
Capital assets being depreciated:				
Buildings	4,914,083	0	2,505	4,911,578
Land improvements	118,119	0	0	118,119
Machinery and equipment	970,024	18,654	38,224	950,454
Total capital assets being depreciated	<u>6,002,226</u>	<u>18,654</u>	<u>40,729</u>	<u>5,980,151</u>
Less accumulated depreciation for:				
Buildings	1,457,669	94,334	2,505	1,549,498
Land improvements	106,720	759	0	107,479
Machinery and equipment	696,950	65,813	38,224	724,539
Total accumulated depreciation	<u>2,261,339</u>	<u>160,906</u>	<u>40,729</u>	<u>2,381,516</u>
Total capital assets being depreciated, net	<u>3,740,887</u>	<u>(142,252)</u>	<u>0</u>	<u>3,598,635</u>
Governmental activities capital assets, net	<u>\$ 3,759,537</u>	<u>(142,252)</u>	<u>0</u>	<u>3,617,285</u>
Business type activities:				
Machinery and equipment	\$ 173,193	0	0	173,193
Less accumulated depreciation	138,932	4,617	0	143,549
Business type activities capital assets, net	<u>\$ 34,261</u>	<u>(4,617)</u>	<u>0</u>	<u>29,644</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 17,352
Other		4,619
Support services:		
Operation and maintenance of plant		1,290
Transportation		42,552
Unallocated depreciation		95,093
Total governmental activities depreciation expense		<u>\$ 160,906</u>
Business type activities:		
Food service operations		<u>\$ 4,617</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 2,235,000	0	185,000	2,050,000	195,000
Early retirement	0	48,901	0	48,901	48,901
Net OPEB liability	17,856	17,324	0	35,180	0
Total	<u>\$ 2,252,856</u>	<u>66,225</u>	<u>185,000</u>	<u>2,134,081</u>	<u>243,901</u>

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue dated December 1, 2005		
		Principal	Interest	Total
2012	4.00	% \$ 195,000	79,885	274,885
2013	4.00	200,000	72,085	272,085
2014	3.75	210,000	64,085	274,085
2015	3.75	220,000	56,210	276,210
2016	3.80	225,000	47,960	272,960
2017-2020	3.85-4.00	1,000,000	101,765	1,101,765
Total		<u>\$ 2,050,000</u>	<u>421,990</u>	<u>2,471,990</u>

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least fifty-five and employees must have completed twenty years of consecutive service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$15,142. Upon early retirement, the employee is eligible to continue participation in the District's group insurance plan at the employee's expense.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$156,265, \$144,717, and \$145,144, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

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

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

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

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

Annual required contribution	\$ 23,203
Interest on net OPEB obligation	446
Adjustment to annual required contribution	(1,825)
Annual OPEB cost	<u>21,824</u>
Contributions made	<u>(4,500)</u>
Increase in net OPEB obligation	17,324
Net OPEB obligation beginning of year	17,856
Net OPEB obligation end of year	<u><u>\$ 35,180</u></u>

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

For the year ended June 30, 2011, the District contributed \$4,500 to the medical plan. Plan members receiving benefits contributed \$59,880 or 93% 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 June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 21,565	17.2%	\$ 18,856
2011	21,824	20.6%	35,180

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 approximately \$191,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$191,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.63 million and the ratio of the UAAL to covered payroll was 11.7%.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The

actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

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

(8) Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2011 were \$18,638.

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

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$156,696 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis.

(10) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 9,086
Dropout prevention	6,817
Teacher salary supplement	16,444
Market factor	3,078
Voluntary preschool program	27,133
Model core curriculum	6,809
Market factor incentives	2,970
Total	<u>\$ 72,337</u>

(11) 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 reclassification is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 625,529	206,148
Change in fund type classification per implementation of GASB Statement No. 54	206,148	(206,148)
Balance July 1, 2010 as restated	<u>\$ 831,677</u>	<u>\$ 0</u>

REQUIRED SUPPLEMENTARY INFORMATION

VILLISCA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 2,356,166	86,545	2,442,711	2,490,294	2,490,294	(47,583)
Intermediate sources	11,346	0	11,346	0	0	11,346
State sources	2,027,397	1,821	2,029,218	2,278,260	2,278,260	(249,042)
Federal sources	339,188	117,986	457,174	307,700	307,700	149,474
Total revenues	<u>4,734,097</u>	<u>206,352</u>	<u>4,940,449</u>	<u>5,076,254</u>	<u>5,076,254</u>	<u>(135,805)</u>
Expenditures/Expenses:						
Instruction	2,796,186	0	2,796,186	3,248,631	3,248,631	452,445
Support services	1,190,047	2,576	1,192,623	1,833,965	1,833,965	641,342
Non-instructional programs	737	206,828	207,565	419,952	419,952	212,387
Other expenditures	494,408	0	494,408	1,326,760	1,326,760	832,352
Total expenditures/expenses	<u>4,481,378</u>	<u>209,404</u>	<u>4,690,782</u>	<u>6,829,308</u>	<u>6,829,308</u>	<u>2,138,526</u>
Excess(deficiency) of revenues over(under)expenditures/expenses	252,719	(3,052)	249,667	(1,753,054)	(1,753,054)	2,002,721
Other financing sources, net	610	0	610	0	0	610
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	253,329	(3,052)	250,277	(1,753,054)	(1,753,054)	2,003,331
Balance beginning of year	<u>1,317,244</u>	<u>53,870</u>	<u>1,371,114</u>	<u>4,093,395</u>	<u>4,093,395</u>	<u>(2,722,281)</u>
Balance end of year	<u>\$ 1,570,573</u>	<u>50,818</u>	<u>1,621,391</u>	<u>2,340,341</u>	<u>2,340,341</u>	<u>(718,950)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

VILLISCA 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 (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$191	191	0.0%	\$1,570	12.2%
2011	July 1, 2009	-	\$191	191	0.0%	\$1,630	11.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue				Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	
Assets					
Cash and pooled investments	\$ 219,934	34,149	254,083	100,081	354,164
Receivables:					
Property tax:					
Delinquent	1,316	0	1,316	0	1,316
Succeeding year	75,000	0	75,000	150,285	225,285
Total Assets	\$ 296,250	34,149	330,399	250,366	580,765
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 0	749	749	0	749
Deferred revenue:					
Succeeding year property tax	75,000	0	75,000	150,285	225,285
Total liabilities	75,000	749	75,749	150,285	226,034
Fund Balances:					
Restricted for:					
Management levy purposes	221,250	0	221,250	0	221,250
Student activities	0	33,400	33,400	0	33,400
Debt service	0	0	0	100,081	100,081
Total fund balances	221,250	33,400	254,650	100,081	354,731
Total Liabilities and Fund Balances	\$ 296,250	34,149	330,399	250,366	580,765

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue				Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	
REVENUES:					
Local sources:					
Local tax	\$ 74,864	0	74,864	0	74,864
Other	8,647	167,902	176,549	1,277	177,826
State sources	42	0	42	0	42
TOTAL REVENUES	83,553	167,902	251,455	1,277	252,732
EXPENDITURES:					
Current:					
Instruction:					
Regular	14,690	0	14,690	0	14,690
Other	0	176,375	176,375	0	176,375
	14,690	176,375	191,065	0	191,065
Support services:					
Student	737	0	737	0	737
Instructional staff	1,756	0	1,756	0	1,756
Administration	5,906	0	5,906	0	5,906
Operation and maintenance of plant	27,264	0	27,264	0	27,264
Transportation	14,993	0	14,993	0	14,993
	50,656	0	50,656	0	50,656
Non-instructional:					
Food service operations	737	0	737	0	737
Other expenditures:					
Long-term debt:					
Principal	0	0	0	185,000	185,000
Interest and fiscal charges	0	0	0	87,735	87,735
	0	0	0	272,735	272,735
TOTAL EXPENDITURES	66,083	176,375	242,458	272,735	515,193
Excess(deficiency) of revenues over(under) expenditures	17,470	(8,473)	8,997	(271,458)	(262,461)
Other financing sources:					
Transfers in	0	0	0	243,473	243,473
Net change in fund balance	17,470	(8,473)	8,997	(27,985)	(18,988)
Fund balances beginning of year, as restated	203,780	41,873	245,653	128,066	373,719
Fund balances end of year	\$ 221,250	33,400	254,650	100,081	354,731

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 531,197	216,348	747,545
Receivables:			
Property tax:			0
Delinquent	0	779	779
Succeeding year	0	58,874	58,874
Income surtax	0	57,648	57,648
Due from other governments	67,901	0	67,901
Total assets	\$ 599,098	333,649	932,747
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 91	0	91
Deferred revenue			
Succeeding year property tax	0	58,874	58,874
Income surtax		57,648	57,648
Total liabilities	91	116,522	116,613
Fund balances:			
Restricted for:			
School infrastructure	599,007	0	599,007
Physical plant and equipment	0	217,127	217,127
Total fund balances	599,007	217,127	816,134
Total liabilities and fund balances	\$ 599,098	333,649	932,747

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT 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	\$ 245,833	107,164	352,997
Other	5,406	1,709	7,115
Intermediate sources	11,346	0	11,346
State sources	0	25	25
TOTAL REVENUES	<u>262,585</u>	<u>108,898</u>	<u>371,483</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	40,573	5,707	46,280
Adminstration	21,823	1,200	23,023
Operation and maintenance of plant	9,273	0	9,273
Other expenditures:			
Facilities acquisitions	47,438	17,539	64,977
TOTAL EXPENDITURES	<u>119,107</u>	<u>24,446</u>	<u>143,553</u>
Excess of revenues over expenditures	143,478	84,452	227,930
Other financing uses:			
Transfers out	(170,000)	(73,473)	(243,473)
Net change in fund balance	(26,522)	10,979	(15,543)
Fund balances beginning of year, as restated	625,529	206,148	831,677
Fund balances end of year	<u>\$ 599,007</u>	<u>217,127</u>	<u>816,134</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama club	994	5,281	6,275	0
Music boosters	621	5,654	5,126	1,149
Track	115	7,515	7,321	309
Golf	52	1,138	1,113	77
Football	105	7,941	7,630	416
Volleyball	4,576	2,747	2,917	4,406
Athletics	99	759	542	316
Basketball	5,253	12,591	11,128	6,716
Activity tickets	301	2,035	2,000	336
Softball/baseball	404	5,345	5,494	255
Y-teens	3,859	12,244	11,630	4,473
FFA	5,363	18,744	23,955	152
Student activity pop	2	747	706	43
Science club	1,505	14,936	15,432	1,009
Cheerleaders	2,399	3,209	5,386	222
Student council	831	6,414	6,227	1,018
JH boosters	92	55	147	0
Destination Image	466	15,629	15,574	521
Annual staff	2,760	5,209	4,974	2,995
Dance team	4,073	5,358	5,570	3,861
Elementary club K-6	1,672	149	1,110	711
National honor society	1,159	1,671	2,777	53
Class of 2010	1,269	0	1,269	0
Class of 2011	2,348	1,698	4,046	0
Class of 2012	315	13,144	10,567	2,892
Class of 2013	327	1,142	686	783
Class of 2014	(77)	2,123	1,547	499
Class of 2015	(77)	86	9	0
Class of 2016	(19)	68	49	0
Class of 2017	0	24	24	0
Interest	508	231	653	86
Secondary student club	578	14,015	14,491	102
Total	\$ 41,873	167,902	176,375	33,400

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund				
	Schroeder Scholarship	Nelson Foundation	Telephone Scholarship	Wright Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 9,736	2,546	79,484	79,758	171,524
TOTAL ASSETS	<u>9,736</u>	<u>2,546</u>	<u>79,484</u>	<u>79,758</u>	<u>171,524</u>
LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS					
Restricted for scholarships	\$ 9,736	2,546	79,484	79,758	171,524

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund					Total
	Schroeder Scholarship	Nelson Foundation	Telephone Scholarship	Wright Scholarship	Activity Scholarship	
ADDITIONS:						
Local sources:						
Gifts and contributions	\$ 0	0	0	0	1,250	1,250
Interest income	72	19	645	648	0	1,384
TOTAL ADDITIONS	72	19	645	648	1,250	2,634
DEDUCTIONS:						
Instruction:						
Regular:						
Scholarships awarded	500	200	3,000	650	1,250	5,600
Change in net assets	(428)	(181)	(2,355)	(2)	0	(2,966)
Net assets beginning of year	10,164	2,727	81,839	79,760	0	174,490
Net assets end of year	\$ 9,736	2,546	79,484	79,758	0	171,524

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,994,813	1,882,603	1,782,466	1,672,573	1,713,306	1,618,303	1,610,022	1,492,769
Tuition	90,042	42,805	82,126	133,313	78,454	58,162	45,031	97,588
Other	271,311	312,791	319,712	341,045	379,718	339,455	212,189	226,065
Intermediate sources	11,346	0	0	0	0	0	0	0
State sources	2,027,397	1,775,502	1,988,734	1,987,897	2,030,310	1,936,781	1,734,318	1,719,088
Federal sources	339,188	405,929	207,471	143,688	168,305	200,758	232,005	175,949
Total	\$ 4,734,097	4,419,630	4,380,509	4,278,516	4,370,093	4,153,459	3,833,565	3,711,459
Expenditures:								
Instruction:								
Regular	\$ 1,613,438	1,599,377	1,397,153	1,428,828	1,428,324	1,594,716	1,380,388	1,235,610
Special	451,865	444,757	540,996	541,847	533,797	438,880	459,736	569,350
Other	730,883	583,371	621,099	589,054	569,932	426,302	437,493	371,371
Support services:								
Student	54,609	91,846	53,177	97,079	89,149	107,231	76,683	78,347
Instructional staff	151,412	239,745	117,093	103,131	75,244	51,932	43,227	50,223
Administration	450,862	455,996	480,945	452,996	445,301	509,316	444,100	434,571
Operation and maintenance of plant	378,682	370,980	334,191	343,303	333,064	317,474	261,083	265,591
Transportation	154,482	268,737	152,017	218,335	230,966	222,208	197,724	198,894
Central	0	0	0	0	0	0	0	4,286
Non-instructional:								
Food service	737	604	506	440	277	277	254	233
Community service and education operations	0	0	6,150	3,075	0	0	31,943	29,319
Other expenditures:								
Facilities acquisitions	64,977	113,796	92,996	101,231	106,132	93,679	104,824	51,122
Long Term Debt:								
Principal	185,000	2,340,000	155,000	140,000	135,000	130,000	120,000	115,000
Interest	87,735	217,435	227,535	235,537	243,635	200,120	171,350	178,150
AEA flow-through	156,696	156,434	142,086	137,356	135,298	127,217	120,890	124,144
Total	\$ 4,481,378	6,883,078	4,320,944	4,392,212	4,326,119	4,219,352	3,849,695	3,706,211

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 the
Villisca Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Villisca Community School District of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

Compliance and Other Matters

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

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

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.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-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 - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lisa Kernen, Teacher Spouse owns Granny's Auto Parts	Supplies	\$1,469

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

- 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 insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- 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 - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- 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 reporting 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:

Beginning balance		\$ 625,529
Revenues:		
Sales tax revenues	\$ 245,833	
Other local revenues	5,406	
Other	<u>11,346</u>	<u>262,585</u>
		888,114
Expenditures/transfers out:		
Equipment	\$ 49,847	
Other	69,260	
Transfers to other funds:		
Debt service fund	<u>170,000</u>	<u>289,107</u>
Ending balance		<u>\$ 599,007</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy</u>	<u>Property</u>
	Reduction	Tax
	Per \$1,000	Dollars
	of Taxable	Reduced
	<u>Valuation</u>	<u>Reduced</u>
Debt service levy	<u>\$ 1.67000</u>	<u>\$ 170,000</u>