

VAN BUREN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Van Buren Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Tony Huffman	President	2003
Jean McIntosh	Vice President	2004
Monty Humble	Board Member	2003
Jon Finney	Board Member	2005
Tim Blair	Board Member	2005
Dixie Daugherty	Board Member	2004
Bill Shewmaker	Board Member	2004

Board of Education (After September 2003 Election)		
Tony Huffman	President	2006
Jon Finney	Vice President	2005
Jean McIntosh	Board Member	2004
Monty Humble	Board Member	2006
Tim Blair	Board Member	2005
Dixie Daugherty	Board Member	2004
Bill Shewmaker	Board Member	2004

School Officials

Richard Barton	Superintendent	2004
Deb Franklin	District Secretary	2004
Crystal Cronk	Attorney	2004

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
Van Buren Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Van Buren Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Van Buren Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Van Buren Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 2, 2004, on our consideration of the Van Buren Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, 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 Van Buren 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 three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.

September 2, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Van Buren 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,559,305 in fiscal 2003 to \$6,255,378 in fiscal 2004, while General Fund expenditures increased from \$5,219,832 in fiscal 2003 to \$6,147,942 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$1,147,135 in fiscal 2003 to a balance of \$1,256,782 in fiscal 2004, a 9.6% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal sources during fiscal 2004. Also, the District had a whole-grade sharing program with Fox Valley Community School District that was a factor in the increase in revenues as well as the increase in expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Van Buren 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 Van Buren 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 Van Buren 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.

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.

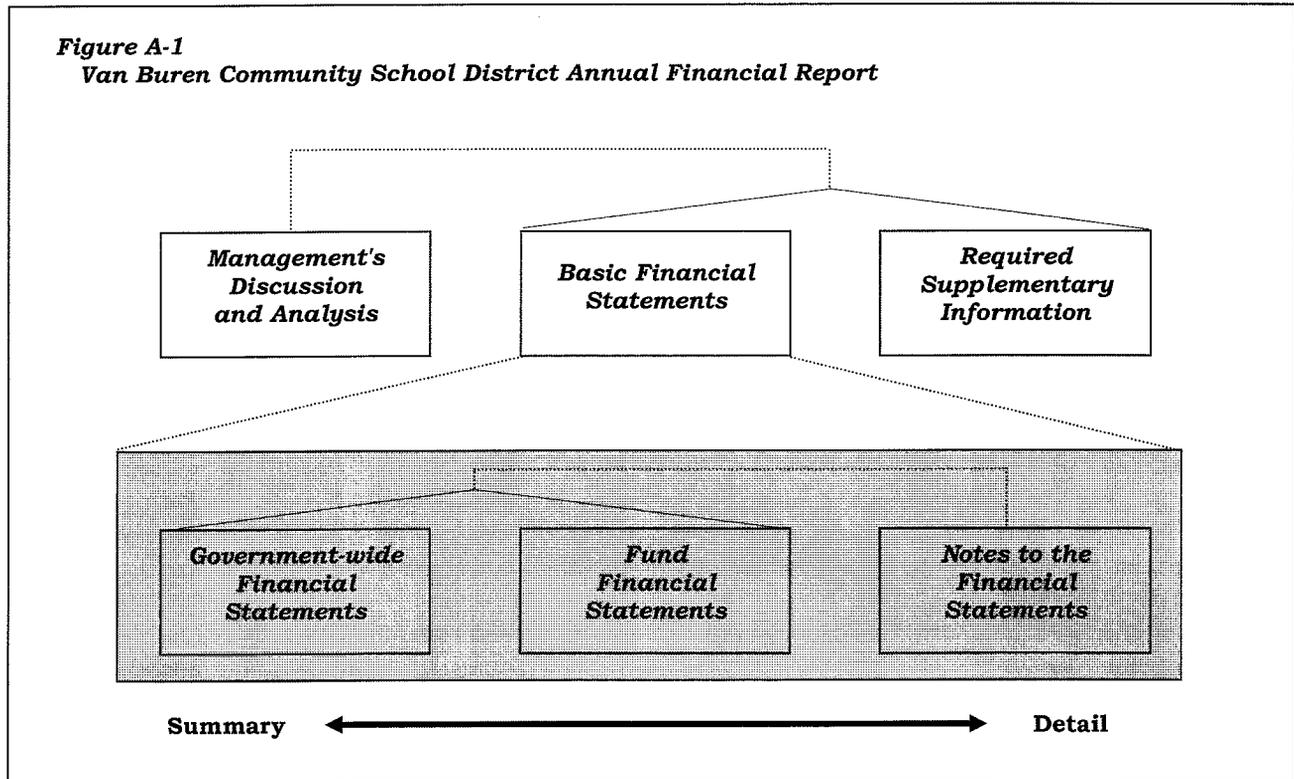


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
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
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
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
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

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 two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and the 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 two enterprise funds, the School Nutrition Fund, and the Day Care 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.

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 for the year ended June 30, 2004.

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 4,782,129	54,277	4,836,406
Capital assets	7,305,609	20,209	7,325,818
Total assets	12,087,738	74,486	12,162,224
Long-term obligations	2,594,509	0	2,594,509
Other liabilities	3,129,269	168,778	3,298,047
Total liabilities	5,723,778	168,778	5,892,556
Net assets:			
Invested in capital assets, net of related debt	5,088,200	20,209	5,108,409
Restricted	77,225	0	77,225
Unrestricted	1,198,535	(114,501)	1,084,034
Total net assets	\$ 6,363,960	(94,292)	6,269,668

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 815,446	210,198	1,025,644
Operating grants and contributions and restricted interest	1,528,754	145,998	1,674,752
Capital grants and contributions and restricted interest	975,198	0	975,198
General revenues:			
Property tax	2,166,962	0	2,166,962
Unrestricted state grants	2,451,956	0	2,451,956
Unrestricted investment earnings	23,632	533	24,165
Other	2,211	0	2,211
Total revenues	<u>7,964,159</u>	<u>356,729</u>	<u>8,320,888</u>
Program expenses:			
Governmental activities:			
Instructional	4,384,455	0	4,384,455
Support services	1,699,967	0	1,699,967
Non-instructional programs	162,221	322,130	484,351
Other expenses	583,087	0	583,087
Total expenses	<u>6,829,730</u>	<u>322,130</u>	<u>7,151,860</u>
Change in net assets	<u>\$ 1,134,429</u>	<u>34,599</u>	<u>1,169,028</u>

Property tax and unrestricted state grants account for approximately 56% of the total revenue. The District's expenses primarily relate to instruction and support services which account for approximately 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,964,159 and expenses were \$6,829,730.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,384,455	2,227,155
Support services	1,699,967	1,698,626
Non-instructional	162,221	162,221
Other expenses	583,087	577,670
Totals	<u>\$ 6,829,730</u>	<u>4,665,672</u>

- The cost financed by users of the District's programs was \$815,446.

-
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,503,952.
 - The net cost of governmental activities was financed with \$2,166,962 in property and other taxes, \$2,451,956 in unrestricted state grants, and \$23,632 interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$356,729 and expenses were \$322,130. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Van Buren 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 \$1,667,614, below last year's ending fund balance of a \$2,083,041.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, along with the increase in revenues, the General Fund also had an increase in expenditures. The General Fund balance increased from \$1,147,135 in fiscal year 2003 to \$1,256,782 in fiscal year 2004, due in part to the large increase in federal revenues over 2003.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$74,299 at June 30, 2003 to \$74,077 at June 30, 2004, representing a decrease of less than 1%.

The Day Care Fund net assets increased from a deficit of \$203,190 at June 30, 2003 to a deficit of \$168,369 at June 30, 2004, representing an increase of 17% over the prior year.

BUDGETARY HIGHLIGHTS

The District's receipts were \$1,180,083 more than budgeted receipts, a variance of 17.3%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$7,325,818, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$227,422.

The original cost of the District's capital assets was \$9,546,173. Governmental funds account for \$9,471,698 with the remainder of \$74,475 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,477,458 at June 30, 2004, compared to \$0 reported at June 30, 2003. This increase resulted from an addition to the Douds attendance center.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Land	\$ 36,811	0	36,811
Buildings	5,404,560	0	5,404,560
Machinery and equipment	386,780	20,209	406,989
Construction in progress	1,477,458	0	1,477,458
Total	\$ 7,305,609	20,209	7,325,818

Long-Term Debt

At June 30, 2004, the District had \$2,594,509 in general obligation, and other long-term debt outstanding. This represents a decrease of 4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 2,030,000	2,210,000	-8.1%
Qualified zone academy bonds	500,000	500,000	0.0%
Early retirement	64,509	0	100.0%
Totals	\$ 2,594,509	2,710,000	-4.3%

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:

- A 2.5% across-the-board state cut did reduce revenues the District received during the 2003-2004 school year. This was due to a downward estimate in state revenues.
- The upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The impact of state reductions to education is an unknown that we must be ready to address and compensate.
- The District has experienced reduced enrollment for the last few years, cutting state aid to the District.
- The District receives a large amount of federal and state monies through grants. The grants have to be approved and their continuation depends on federal and state funding.
- Beginning July 1, 2004, the Fox Valley Community School District merged with the Van Buren Community School District.

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 Robyn Booth, Board Secretary/Business Manager, Van Buren Community School District, 503 Henry Street, Keosauqua, Iowa, 52565.

BASIC FINANCIAL STATEMENTS

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 4)	\$ 537,420	0	537,420
Other	1,179,070	47,813	1,226,883
Receivables			
Property tax:			
Delinquent	40,440	0	40,440
Succeeding year	2,384,110	0	2,384,110
Interfund	185,786	0	185,786
Accounts	21,666	0	21,666
Due from other governments	433,637	0	433,637
Inventories	0	6,464	6,464
Capital assets, net of accumulated depreciation(Note 5)	7,305,609	20,209	7,325,818
TOTAL ASSETS	12,087,738	74,486	12,162,224
LIABILITIES			
Excess of warrants issued over bank balance	0	159,568	159,568
Accounts payable	2,619	158	2,777
ISCAP warrants payable(Note 4)	542,000	0	542,000
Interfund payable	185,786	0	185,786
Accrued interest payable	14,754	0	14,754
Deferred revenue:			
Succeeding year property tax	2,384,110	0	2,384,110
Other	0	9,052	9,052
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	190,000	0	190,000
Early Retirement	64,509	0	64,509
Portion due after one year:			
General obligation bonds payable	1,840,000	0	1,840,000
Qualified zone academy bonds	500,000	0	500,000
TOTAL LIABILITIES	5,723,778	168,778	5,732,988
NET ASSETS			
Investment in capital assets, net of related debt	5,088,200	20,209	5,108,409
Restricted for:			
Teacher Compensation	162	0	162
Phase III	2,981	0	2,981
Early Intervention	15,690	0	15,690
Other special revenue purposes	58,392	0	58,392
Unrestricted	1,198,535	(114,501)	1,084,034
TOTAL NET ASSETS	\$ 6,363,960	(94,292)	6,269,668

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,866,218	709,434	1,309,223	0
Special instruction	864,029	104,671	33,972	0
Other instruction	654,208	0	0	0
	<u>4,384,455</u>	<u>814,105</u>	<u>1,343,195</u>	<u>0</u>
Support services:				
Student services	133,101	0	0	0
Instructional staff services	196,702	0	0	0
Administration services	547,497	0	0	0
Operation and maintenance of plant services	432,509	0	0	0
Transportation services	302,113	1,341	0	0
Central services	88,045	0	0	0
	<u>1,699,967</u>	<u>1,341</u>	<u>0</u>	<u>0</u>
Non-instructional programs	162,221	0	0	0
Other expenditures:				
Facilities acquisitions	181,692	0	0	975,198
Long-term debt interest	96,628	0	0	0
AEA flowthrough	185,559	0	185,559	0
Depreciation(unallocated)*	119,208	0	0	0
	<u>583,087</u>	<u>0</u>	<u>185,559</u>	<u>975,198</u>
Total governmental activities	6,829,730	815,446	1,528,754	975,198
Business-Type activities:				
Non-instructional programs:				
Nutrition services	251,236	128,372	122,109	0
Day care	70,894	81,826	23,889	0
Total business-type activities	<u>322,130</u>	<u>210,198</u>	<u>145,998</u>	<u>0</u>
Total	<u>\$ 7,151,860</u>	<u>1,025,644</u>	<u>1,674,752</u>	<u>975,198</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 11)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(847,561)	0	(847,561)
(725,386)	0	(725,386)
(654,208)	0	(654,208)
(2,227,155)	0	(2,227,155)
(133,101)	0	(133,101)
(196,702)	0	(196,702)
(547,497)	0	(547,497)
(432,509)	0	(432,509)
(300,772)	0	(300,772)
(88,045)	0	(88,045)
(1,698,626)	0	(1,698,626)
(162,221)		(162,221)
793,506	0	793,506
(96,628)	0	(96,628)
0	0	0
(119,208)	0	(119,208)
577,670	0	577,670
(3,510,332)	0	(3,510,332)
0	(755)	(755)
0	34,821	34,821
0	34,066	34,066
(3,510,332)	34,066	(3,476,266)
\$ 1,760,456	0	1,760,456
281,419	0	281,419
125,087	0	125,087
2,451,956	0	2,451,956
23,632	533	24,165
2,211	0	2,211
4,644,761	533	4,645,294
1,134,429	34,599	1,169,028
5,229,531	(128,891)	5,100,640
\$ 6,363,960	(94,292)	6,269,668

VAN BUREN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Capital Projects	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP	\$ 537,420	0	0	0	537,420
Other	964,753	(154,021)	228,819	139,519	1,179,070
Receivables:					
Property tax:					
Delinquent	30,457	0	2,516	7,467	40,440
Succeeding year	1,945,818	0	0	438,292	2,384,110
Interfund	0	185,786	0	0	185,786
Accounts	20,920	0	0	746	21,666
Due from other governments	247,851	0	185,786	0	433,637
TOTAL ASSETS	\$ 3,747,219	31,765	417,121	586,024	4,782,129
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,619	0	0	0	2,619
Interfund payable	0	0	185,786	0	185,786
ISCAP warrants payable	542,000	0	0	0	542,000
Deferred revenue:					
Succeeding year property tax	1,945,818	0	0	438,292	2,384,110
Total liabilities	2,490,437	0	185,786	438,292	3,114,515
Fund balances:					
Reserved for:					
Teacher Compensation	162	0	0	0	162
Phase III	2,981	0	0	0	2,981
Early Intervention	15,690	0	0	0	15,690
Unreserved:					
Undesignated	1,237,949	31,765	231,335	147,732	1,648,781
Total fund balances	1,256,782	31,765	231,335	147,732	1,667,614
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,747,219	31,765	417,121	586,024	4,782,129

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total fund balances of governmental funds (page 16)	\$ 1,667,614
<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 in the governmental funds.	7,305,609
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(14,754)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,594,509)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 6,363,960</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,671,254	0	125,087	370,621	2,166,962
Tuition	377,975	0	0	0	377,975
Other	225,439	31,820	3,110	200,734	461,103
State sources	2,844,864	0	0	0	2,844,864
Federal sources	1,135,846	0	975,198	0	2,111,044
Total revenues	6,255,378	31,820	1,103,395	571,355	7,961,948
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,801,709	0	0	0	2,801,709
Special instruction	864,029	0	0	0	864,029
Other instruction	448,018	0	0	206,190	654,208
	4,113,756	0	0	206,190	4,319,946
Support services:					
Student services	133,101	0	0	0	133,101
Instructional staff services	196,702	0	0	0	196,702
Administration services	547,497	0	0	0	547,497
Operation and maintenance of plant services	432,509	0	0	0	432,509
Transportation services	376,597	0	0	0	376,597
Central services	0	0	0	88,045	88,045
	1,686,406	0	0	88,045	1,774,451
Non-instructional programs	162,221	0	0	0	162,221
Other expenditures:					
Facilities acquisitions	0	1,390,952	268,198	0	1,659,150
Long-term debt:					
Principal	0	0	0	180,000	180,000
Interest and fiscal charges	0	0	0	98,259	98,259
AEA flowthrough	185,559	0	0	0	185,559
	185,559	1,390,952	268,198	278,259	2,122,968
Total expenditures	6,147,942	1,390,952	268,198	572,494	8,379,586
Excess of revenues over expenditures	107,436	(1,359,132)	835,197	(1,139)	(417,638)
Other financing sources (uses):					
Sale of equipment	2,211	0	0	0	2,211
Transfers in	0	883,443	24,507	29,214	937,164
Transfers out	0	(24,507)	(912,657)	0	(937,164)
Total other financing sources (uses)	2,211	858,936	(888,150)	29,214	2,211
Net change in fund balances	109,647	(500,196)	(52,953)	28,075	(415,427)
Fund balance beginning of year	1,147,135	531,961	284,288	119,657	2,083,041
Fund balance end of year	\$ 1,256,782	31,765	231,335	147,732	1,667,614

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2004

Net change in fund balances - total governmental funds(page 18) \$ (415,427)

*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	\$ 1,656,340	
Depreciation expense	<u>(223,606)</u>	1,432,734

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	180,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,631

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

Early retirement	<u>(64,509)</u>
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Changes in net assets of governmental activities(page 15) \$ 1,134,429

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition	Day Care	Total
ASSETS			
Cash and pooled investments	\$ 47,813	0	47,813
Inventories	6,464	0	6,464
Capital assets, net of accumulated depreciation	20,209	0	20,209
Total assets	<u>74,486</u>	<u>0</u>	<u>74,486</u>
LIABILITIES			
Excess of warrants issued over bank balance	0	159,568	159,568
Accounts Payable	0	158	158
Deferred Revenue	409	8,643	9,054
Total liabilities	<u>409</u>	<u>168,369</u>	<u>9,214</u>
NET ASSETS			
Invested in capital assets, net of related debt	20,209	0	20,209
Unrestricted	53,868	(168,369)	(114,501)
Total net assets	<u>\$ 74,077</u>	<u>(168,369)</u>	<u>(94,292)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 128,372	81,826	210,198
TOTAL OPERATING REVENUES	<u>128,372</u>	<u>81,826</u>	<u>210,198</u>
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	96,850	0	96,850
Benefits	13,533	0	13,533
Services	106,405	0	106,405
Supplies	30,556	0	30,556
Depreciation	3,816	0	3,816
Other	76	70,894	70,970
TOTAL OPERATING EXPENSES	<u>251,236</u>	<u>70,894</u>	<u>322,130</u>
OPERATING INCOME (LOSS)	<u>(122,864)</u>	<u>10,932</u>	<u>(111,932)</u>
NON-OPERATING REVENUES:			
State sources	4,075	0	4,075
Federal sources	118,034	23,889	141,923
Interest income	533	0	533
TOTAL NON-OPERATING REVENUES	<u>122,642</u>	<u>23,889</u>	<u>146,531</u>
Change in net assets	(222)	34,821	34,599
Net assets beginning of year	<u>74,299</u>	<u>(203,190)</u>	<u>(128,891)</u>
Net assets end of year	<u>\$ 74,077</u>	<u>(168,369)</u>	<u>(94,292)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 127,510	0	127,510
Cash received from miscellaneous operating activities	1,271	83,570	84,841
Cash payments to employees for services	(110,383)	(22,321)	(132,704)
Cash payments to suppliers for goods or services	(121,825)	(49,130)	(170,955)
Net cash used in operating activities	(103,427)	12,119	(91,308)
Cash flows from non-capital financing activities:			
State grants received	4,075	0	4,075
Federal grants received	103,221	32,532	135,753
Net cash provided by non-capital financing activities	107,296	32,532	139,828
Cash flows from investing activities:			
Interest on investments	533	0	533
Net cash provided by investing activities	533	0	533
Net increase in cash and cash equivalents	4,402	44,651	49,053
Cash and cash equivalents at beginning of year	43,411	(204,219)	(160,808)
Cash and cash equivalents at end of year	\$ 47,813	(159,568)	(111,755)
Reconciliation of operating loss to net cash used in operating activities:			
Operating (loss) income	\$ (122,864)	10,932	(111,932)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	14,813	0	14,813
Depreciation	3,816	0	3,816
Decrease in inventories	399	0	399
Decrease in accounts receivable	0	1,744	1,744
Decrease in accounts payable	0	(557)	(557)
Increase in deferred revenue	409	0	409
Net cash used in operating activities	\$ (103,427)	12,119	(91,308)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 47,813	(159,568)	(111,755)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$14,813.

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Van Buren Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Keosauqua, Stockport, Douds, Birmingham and Mount Sterling, Iowa, and the predominate agricultural territory in Van Buren County. 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, Van Buren Community School District has included all funds, organizations, account groups, 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 Van Buren 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 Van Buren 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.

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

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

The District reports the following major governmental funds:

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

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using

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

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

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

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

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

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

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

reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The 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	\$ 1,500
Buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500

Property, machinery and equipment 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
Machinery and equipment	5-20 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.

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, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004 the District did not exceed its budget in any of the expenditure functional areas.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$28,546 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	PPEL	\$ 29,214
Capital Projects	PPEL	837,000
PPEL	Capital Projects	7,004
PPEL	Capital Projects	17,503
Capital Projects	PPEL	46,443
Total		<u>\$ 937,164</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	537,420	0	542,000	0
Total			\$ 537,420	0	542,000	0

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 36,811	0	0	36,811
Construction in progress	0	1,477,458	0	1,477,458
Total capital assets not being depreciated	<u>36,811</u>	<u>1,477,458</u>	<u>0</u>	<u>1,514,269</u>
Capital assets being depreciated:				
Buildings	6,422,998	0	0	6,422,998
Machinery and equipment	1,355,549	178,882	0	1,534,431
Total capital assets being depreciated	<u>7,778,547</u>	<u>178,882</u>	<u>0</u>	<u>7,957,429</u>
Less accumulated depreciation for:				
Buildings	899,230	119,208	0	1,018,438
Machinery and equipment	1,043,253	104,398	0	1,147,651
Total accumulated depreciation	<u>1,942,483</u>	<u>223,606</u>	<u>0</u>	<u>2,166,089</u>
Total capital assets being depreciated, net	<u>5,836,064</u>	<u>(44,724)</u>	<u>0</u>	<u>5,791,340</u>
Governmental activities capital assets, net	<u>\$ 5,872,875</u>	<u>1,432,734</u>	<u>0</u>	<u>7,305,609</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 69,767	0	0	69,767
Less accumulated depreciation	45,742	3,816	0	49,558
Business-type activities capital assets, net	<u>\$ 24,025</u>	<u>(3,816)</u>	<u>0</u>	<u>20,209</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Support services:		
Transportation		104,398
		<u>104,398</u>
Unallocated depreciation		119,208
		<u>119,208</u>
Total governmental activities depreciation expense		<u>\$ 223,606</u>
Business-type activities:		
Food services		\$ 3,816
Total business-type activities depreciation expense		<u>\$ 3,816</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	2,210,000	0	180,000	2,030,000	190,000
Qualified Zone Academy Bonds	500,000	0	0	500,000	0
Early Retirement	0	64,509	0	64,509	64,509
Total	<u>\$ 2,710,000</u>	<u>64,509</u>	<u>180,000</u>	<u>2,594,509</u>	<u>254,509</u>

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated February 25, 1998			Bond issue dated April 1, 2003			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2005	5.000	\$ 165,000	80,772	3.250	\$ 25,000	7,575	\$ 190,000	88,347	278,347
2006	5.000	170,000	72,523	2.000	25,000	6,762	195,000	79,285	274,285
2007	4.350	180,000	64,022	2.000	30,000	6,263	210,000	70,285	280,285
2008	4.400	185,000	56,193	2.250	30,000	5,663	215,000	61,856	276,856
2009	4.400	195,000	48,052	2.500	30,000	4,987	225,000	53,039	278,039
2010	4.500	200,000	39,473	2.750	30,000	4,237	230,000	43,710	273,710
2011	4.600	210,000	30,472	3.000	35,000	3,413	245,000	33,885	278,885
2012	4.625	220,000	20,813	3.250	35,000	2,363	255,000	23,176	278,176
2013	4.625	230,000	10,638	3.500	35,000	1,225	265,000	11,863	276,863
Total		\$ 1,755,000	422,958		\$ 275,000	42,488	\$ 2,030,000	465,446	2,495,446

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous, full-time service to the District. Employees must complete an application which is subject to approval by the Board of Education.

Qualified Zone Academy Bonds

During the year ended June 30, 2002, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual transfers from the Physical Plant and Equipment Levy (PPEL) fund to a debt sinking fund will be made to pay the indebtedness due January 31, 2016, of \$500,000.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$207,341, \$185,678, \$169,048 respectively, equal to the required contributions for each year.

(8) Risk Management

Van Buren Community School District is a member of the Iowa Star Conference Schools, an Iowa Code Chapter 28E organization. The Iowa Star Conference Schools (Iowa Star) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star was formed for the purpose of managing and funding employee benefits. Iowa Star provides coverage and protection in the following categories: medical, dental, and prescription drugs.

Each members' contribution to the Iowa Star funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, Iowa Star's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to Iowa Star for the year ended June 30, 2004 were \$264,005.

Payments from participating members are the sole source for paying claims and establishing reserves for the Iowa Star self-funded programs. Stop loss insurance is purchased by Iowa Star to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004 no liability has been recorded in the District's financial statements. As of June 30, 2004 settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw. Iowa Star will pay claims incurred before the termination date.

Van Buren Community School District withdrew from Iowa Star during the fiscal year 2004. The District's last day of membership was December 31, 2003.

Van Buren 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 \$185,559 for

the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into a contract totaling \$1,645,948 for the construction of a new attendance center. As of June 30, 2004, costs of \$1,477,458 had been incurred against the contract. The balance of \$168,490 remaining at June 30, 2004 will be paid as work on the project progresses.

(11) Accounting Change and Restatements

Governmental Accounting Standards Board(GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absences and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board(GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include Government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$8,333,379 were restated to \$7,815,358. The restatement primarily removed assets below the District's capitalizations threshold.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				Total
	General	Capital Projects	Physical	Other	
			Plant and Equipment Levy	Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 1,147,135	531,961	284,288	119,657	2,083,041
GASB Interpretation 6 adjustments	0	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 1,147,135</u>	<u>531,961</u>	<u>284,288</u>	<u>119,657</u>	<u>2,083,041</u>
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$1,942,483					5,872,875
Long-term liabilities:					
Bonds				2,710,000	(2,710,000)
Accrued interest payable					(16,385)
Net assets, July 1, 2003, as restated					<u>\$ 5,229,531</u>

REQUIRED SUPPLEMENTAL INFORMATION

VAN BUREN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 3,100,735	212,884
State sources	2,845,883	4,075
Federal sources	1,719,251	150,566
Total revenues	<u>7,665,869</u>	<u>367,525</u>
Disbursements:		
Instruction	4,326,692	0
Support services	1,769,297	0
Non-instructional programs	162,221	318,472
Other expenditures	2,125,977	0
Total expenditures	<u>8,384,187</u>	<u>318,472</u>
Excess(deficiency) of receipts over(under) disbursements	(718,318)	49,053
Other financing sources, net	<u>2,211</u>	<u>0</u>
Excess(deficiency) of receipts over(under) disbursements	(716,107)	49,053
Balance beginning of year	<u>1,895,177</u>	<u>(160,808)</u>
Balance end of year	<u>\$ 1,179,070</u>	<u>(111,755)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
3,313,619	3,004,556	3,004,556	309,063
2,849,958	3,031,153	3,031,153	(181,195)
1,869,817	805,000	805,000	1,064,817
<u>8,033,394</u>	<u>6,840,709</u>	<u>6,840,709</u>	<u>1,192,685</u>
4,326,692	4,505,439	4,505,439	178,747
1,769,297	1,771,000	1,771,000	1,703
480,693	624,775	624,775	144,082
2,125,977	2,336,813	2,336,813	210,836
<u>8,702,659</u>	<u>9,238,027</u>	<u>9,238,027</u>	<u>535,368</u>
(669,265)	(2,397,318)	(2,397,318)	(1,728,053)
<u>2,211</u>	<u>0</u>	<u>0</u>	<u>(2,211)</u>
(667,054)	(2,397,318)	(2,397,318)	(1,730,264)
1,734,369	3,185,824	3,185,824	(1,451,455)
<u>1,067,315</u>	<u>788,506</u>	<u>788,506</u>	<u>278,809</u>

VAN BUREN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,665,869	296,079	7,961,948
Expenditures	8,384,187	(4,601)	8,379,586
Net	(718,318)	300,680	(417,638)
Other financing sources, net	2,211	0	2,211
Beginning fund balances	1,895,177	187,864	2,083,041
Ending fund balances	\$ 1,179,070	488,544	1,667,614

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 367,525	(10,796)	356,729
Expenditures	318,472	3,658	322,130
Net	49,053	(14,454)	34,599
Other financing sources, net	0	0	0
Beginning fund balances	(160,808)	31,917	(128,891)
Ending fund balances	\$ (111,755)	17,463	(94,292)

VAN BUREN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

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 cash basis. Encumbrances are not recognized on the cash basis 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTAL INFORMATION

VAN BUREN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Total Special Revenue	Debt Service	
ASSETS					
Cash and pooled investments	\$ 23,289	58,392	81,681	57,838	139,519
Receivables:					
Property tax:					
Current year delinquent	1,806	0	1,806	5,661	7,467
Succeeding year	160,000	0	160,000	278,292	438,292
Accounts	0	0	0	746	746
TOTAL ASSETS	\$ 185,095	58,392	243,487	342,537	586,024
LIABILITIES AND FUND EQUITY					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	160,000	0	160,000	278,292	438,292
Total Liabilities	160,000	0	160,000	278,292	438,292
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	25,095	58,392	83,487	64,245	147,732
Total fund balances	25,095	58,392	83,487	64,245	147,732
TOTAL LIABILITIES AND FUND EQUITY	\$ 185,095	58,392	243,487	342,537	586,024

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Total Special Revenue	Debt Service	
REVENUES:					
Local sources:					
Local tax	\$ 89,202	0	89,202	281,419	370,621
Other	111	198,538	198,649	2,085	200,734
TOTAL REVENUES	89,313	198,538	287,851	283,504	571,355
EXPENDITURES:					
Current:					
Instruction:					
Other instruction	0	206,190	206,190	0	206,190
Support services:					
Central services	88,045	0	88,045	0	88,045
Other expenditures:					
Long-term debt:					
Principal	0	0	0	180,000	180,000
Interest and fiscal charges	0	0	0	98,259	98,259
TOTAL EXPENDITURES	88,045	206,190	294,235	278,259	572,494
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	1,268	(7,652)	(6,384)	5,245	(1,139)
OTHER FINANCING SOURCES (USES):					
Transfers in	0	0	0	29,214	29,214
Total other financing sources (uses)	0	0	0	29,214	29,214
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	1,268	(7,652)	(6,384)	34,459	28,075
FUND BALANCE BEGINNING OF YEAR	23,827	66,044	89,871	29,786	119,657
FUND BALANCE END OF YEAR	\$ 25,095	58,392	83,487	64,245	147,732

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Secondary Track	\$ (1,990)	959	1,090	2,396	275
Boys Track	(1,701)	1,239	1,367	1,829	0
Secondary Golf	(1,106)	175	367	1,298	0
General Athletics	1,447	7,270	7,380	(342)	995
JR High Softball	(1,629)	273	380	1,736	0
JR High Baseball	(1,171)	0	180	1,351	0
Secondary Softball	(10,996)	919	2,919	13,041	45
Secondary Football	12,261	7,019	3,217	(16,063)	0
Secondary Baseball	(14,237)	768	4,466	17,935	0
Secondary Cross Country	452	659	279	(832)	0
Secondary Volleyball	395	2,025	1,556	(864)	0
JR High Track	502	215	423	(294)	0
Secondary Girls Basketball	7,465	7,171	2,608	(12,028)	0
Secondary Boys Basketball	11,056	9,497	10,285	(10,268)	0
Uniform Account	84	2,052	6,107	3,971	0
Secondary Wrestling	2,732	2,435	4,751	(416)	0
District Football	575	0	61	0	514
Annual	4,706	5,471	4,097	0	6,080
Concession Enterprises	3,465	13,670	7,974	(8,409)	752
Cross Country	(56)	0	0	0	(56)
Drama	2,538	3,239	4,678	0	1,099
F.H.A.	666	448	990	82	206
Football	2,337	12,098	14,042	1,379	1,772
FFA	993	1,003	3,153	479	(678)
Industrial Arts	4,378	0	300	82	4,160
Art Club	1,271	213	795	439	1,128
Magazine Sales	0	8,048	5,686	(2,362)	0
Boys Track Fundraising	293	660	275	(37)	641
Media Club	86	0	0	0	86
National Honor Society	(249)	1,362	1,157	83	39
Golf Fundraiser	15	646	506	0	155
Pow Wow	366	0	0	83	449
Rhythm Squad	346	4,821	3,778	0	1,389
Softball	(41)	718	145	0	532
Spanish Club	3,166	11,803	17,141	2,158	(14)
Student Council	(2,004)	655	2,399	2,000	(1,748)
Girls Track Fundraising	(406)	1,086	2,090	1,451	41
Wrestling Fundraising	1,750	2,558	2,528	(269)	1,511
Volleyball Fundraising	(112)	2,078	1,611	(355)	0
Wrestling Cheerleaders	386	306	1,099	0	(407)
Boys Basketball Fundraising	(1,186)	6,023	3,215	(963)	659
Girls Basketball Fundraising	976	4,307	3,270	(1,020)	993

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Football Cheerleaders	1,164	1,429	1,638	0	955
Basketball Cheerleaders	(1,404)	40	31	0	(1,395)
Classes	(10,775)	0	0	10,775	0
Class of 2002	425	0	0	(425)	0
Class of 2004	249	6,917	8,846	1,607	(73)
Class of 2005	1,560	4,616	8,035	2,788	929
Class of 2006	1,905	0	0	2,097	4,002
Class of 2007	2,177	0	0	1,309	3,486
Class of 2008	1,487	0	0	1,181	2,668
Class of 2009	11,474	0	9	(10,284)	1,181
Student Planners	103	0	0	0	103
Interest	9,225	579	642	(9,118)	44
Shop Projects	393	0	0	0	393
Teachers	(5,257)	12,067	12,292	1,837	(3,645)
Fines	12	0	0	0	12
Book Rent	0	3,653	3,653	0	0
Band	(329)	2,265	2,654	925	207
Chorus	1,188	2,146	2,914	(438)	(18)
Chorus/Band Fundraiser	9,732	22,431	21,778	475	10,860
Stockport Book Fair	2,137	2,932	2,735	0	2,334
Stockport Enterprise	0	200	0	0	200
Stockport Gym Rent	0	40	40	0	0
Stockport Interest	992	40	1,032	0	0
Stockport Postage	124	200	362	0	(38)
Stockport Book Rent	0	1,100	1,100	0	0
Stockport Special Projects	5,082	5,972	2,335	0	8,719
Stockport Student Council	819	781	857	0	743
Douds Band Resale	1	398	333	0	66
Douds Book Fair	322	36	1	0	357
Douds School Supplies	163	18	1	0	180
Douds Gym Rent	0	10	10	0	0
Douds Interest	563	38	601	0	0
Douds Library	0	226	0	0	226
Douds Postage	274	378	639	0	13
Douds Book Rent	0	1,108	1,108	0	0
Douds Special Projects	4,043	4,648	3,484	0	5,207
Douds Student Council	372	381	695	0	58
Total	\$ 66,044	198,538	206,190	0	58,392

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 2,166,962	2,114,569	1,942,012	1,766,163
Tuition	377,975	364,869	216,033	176,152
Other	461,103	699,798	223,603	246,612
State sources	2,844,864	2,795,132	3,703,678	2,753,994
Federal sources	2,111,044	648,330	342,273	174,432
Total	\$ 7,961,948	6,622,698	6,427,599	5,117,353
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,801,709	2,216,122	1,893,299	1,877,161
Special instruction	864,029	784,254	780,182	553,804
Other instruction	654,208	603,911	488,255	500,878
Support services:				
Student services	133,101	213,719	102,546	139,595
Instructional staff services	196,702	183,789	194,094	191,495
Administration services	547,497	482,874	440,223	428,992
Operation and maintenance of plant services	432,509	397,953	382,961	386,761
Transportation services	376,597	355,377	326,521	481,690
Central services	88,045	1,624	70,536	66,636
Non-instructional programs	162,221	36,348	7,787	1,128
Other expenditures:				
Facilities acquisitions	1,659,150	1,424,680	413,475	56,855
Long-term debt:				
Principal	180,000	145,000	184,053	174,052
Interest and other charges	98,259	96,073	107,156	113,357
AEA flow-through	185,559	189,197	188,891	189,497
Total	\$ 8,379,586	7,130,921	5,579,979	5,161,901

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	\$ <u>14,813</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	19,802
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	83,419
NUTRITION IOWA PILOT FRUIT AND VEGETABLE PROGRAM	10.555	FY 04	9,370
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 04	<u>8,532</u>
			<u>121,123</u>
SECONDARY AGRICULTURE EDUCATION GRANTS			
	10.226	FY 04	<u>15,770</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
ENHANCING EDUCATION THROUGH TECHNOLOGY	84.318	FY 04	<u>6,141</u>
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	6592-G	<u>93,855</u>
TITLE I ACCOUNTABILITY GRANTS (DDL)	84.348	FY 04	<u>2,685</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 02	<u>5,367</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 04	<u>25,760</u>
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 04	<u>423,423</u>
FUND FOR THE IMPROVEMENT OF EDUCATION(FIRE SAFETY GRANT)	84.215	FY 04	50,000
FUND FOR THE IMPROVEMENT OF EDUCATION(IOWA DEMONSTRATION CONSTRUCTION GRANTS)	84.215	FY 04	<u>753,974</u>
			<u>803,974</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 04	<u>4,716</u>

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
SAFE AND DRUG-FREE SCHOOLS - STATES GRANTS	84.186	FY 03	<u>3,939</u>
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION			
DOUDS	84.332	FY 03	24,775
STOCKPORT	84.332	FY 03	28,572
JR/SR HIGH	84.332	FY 03	31,012
DOUDS	84.332	FY 04	43,302
STOCKPORT	84.332	FY 04	49,389
JR/SR HIGH	84.332	FY 04	55,960
			<u>233,010</u>
SCHOOL RENOVATION, IDEA, AND TECHNOLOGY GRANTS PROGRAM	84.352	FY 04	22,592
SCHOOL RENOVATION, IDEA, AND TECHNOLOGY GRANTS PROGRAM	84.352	FY 04	38,593
			<u>61,185</u>
IOWA PUBLIC TELEVISION:			
STAR SCHOOLS - STOCKPORT	84.203	FY 03	921
STAR SCHOOLS - BIRMINGHAM	84.203	FY 04	24,305
			<u>25,226</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 04	6,464
TECH-PREP EDUCATION	84.243	FY 04	7,200
SPECIAL EDUCATION - GRANTS TO STATES (Success 4)	84.027	FY 03	2,522
SPECIAL EDUCATION - GRANTS TO STATES (Success 4)	84.027	FY 04	6,281
SPECIAL EDUCATION - GRANTS TO STATES (Part B)	84.027	FY 04	24,683
			<u>33,486</u>
DEPARTMENT OF HUMAN SERVICES:			
CHILD CARE DEVELOPMENT BLOCK GRANTS	93.575	FY 03	862
CHILD CARE DEVELOPMENT BLOCK GRANTS	93.575	FY 04	15,357
			<u>16,219</u>

VAN BUREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
CONSOLIDATED KNOWLEDGE DEVELOPMENT AND APPLICATION PROGRAM	93.230	FY 04	<u>102,282</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA DEPARTMENT OF EDUCATION:			
LEARN AND SERVE AMERICA			
COMSERV IOWA	94.004	FY 03	4,500
LEARN AND SERVE AMERICA			
COMSERV IOWA	94.004	FY 04	1,433
			<u>5,933</u>
TOTAL			<u>\$ 2,012,571</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
Van Buren Community School District:

We have audited the financial statements of Van Buren Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Van Buren Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved except for item IV-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Buren Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for items II-A-04, II-B-04 and II-C-04.

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

September 2, 2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance

To the Board of Education of
Van Buren Community School District:

Compliance

We have audited the compliance of Van Buren Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Van Buren Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Van Buren Community School District's management. Our responsibility is to express an opinion on Van Buren Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Van Buren Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Van Buren Community School District's compliance with those requirements.

In our opinion, Van Buren Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Van Buren Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Van Buren Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

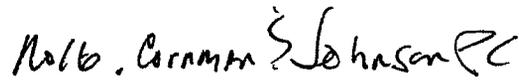
We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Van Buren Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

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The reportable condition is described as item III-A-04 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-04 is a material weakness.

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


NOLTE, CORNMAN & JOHNSON, P.C.

September 2, 2004

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.215 – Iowa Demonstration Construction Grant
 - CFDA Number 84.287 – Twenty-First Century Community Learning Centers
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.555 – Nutrition Iowa Pilot Fruit and Vegetable Program
 - CFDA Number 10.558 – Child and Adult Care Food Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Van Buren Community School District did not qualify as a low-risk auditee.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of internal control 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 segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

II-B-04 Financial Condition – The District had several accounts in the Student Activity Fund with deficit balances at June 30, 2004.

Recommendation – The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response – We will review the situation and take the necessary steps to try to eliminate the deficit balances.

Conclusion – Response accepted.

II-C-04 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however these changes are not kept up to date.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of fixed assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets.

Response - We are working on this.

Conclusion - Response accepted.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

REPORTABLE CONDITIONS:

CFDA Number 84.215: Iowa Demonstration Construction Grant
Federal Award Year: 2004
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.287: Twenty-First Century Community Learning Centers
Federal Award Year: 2004
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.555: Nutrition Iowa Pilot Fruit and Vegetable Program
CFDA Number 10.558: Child and Adult Care Food Program
Federal Award Year: 2004
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-04 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion – Response accepted.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2004.

Recommendation - The district should increase their depository limits.

Response - We will raise them in the future.

Conclusion - Response accepted.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 did not exceed the amount budgeted.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-04 Business Transactions - No business transactions between the District and District officials were noted.

IV-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-04 Financial Condition - The District had a deficit unreserved undesignated fund balance of \$168,369 in the Enterprise- Day Care Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will monitor this fund and investigate any available options to eliminate this deficit.

Conclusion - Response accepted.