

VAN METER COMMUNITY SCHOOL DISTRICT  
VAN METER, IOWA

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

JUNE 30, 2004

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VAN METER COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Dan Phillips	President	2004
Gene Gabus	Vice President	2003
Kevin Ernst	Board Member	2003
Donna Davis	Board Member	2004
Donna Eggleston	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Dan Phillips	President	2004
Gene Gabus	Vice President	2006
Donna Davis	Board Member	2004
Donna Eggleston	Board Member	2005
Kevin Ernst	Board Member	2006
<u>School Officials</u>		
Greg DeTimmerman	Superintendent	2006
Shonna Trudo	District Secretary/Treasurer	2004
Elizabeth Grob	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Van Meter 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 Van Meter Community School District, Iowa, 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 basic 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 basic 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 Van Meter Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Van Meter 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 Disclosure; 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 report dated August 17, 2004 on our consideration of Van Meter Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 20 and 52 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Van Meter 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 unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4 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.

Oskaloosa, Iowa  
August 17, 2004

# **Van Meter Community School District**

## **Management Discussion and Analysis**

### **For the Year Ending June 30, 2004**

Van Meter 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.

### **Financial Highlights**

- In October of 2003, the State of Iowa imposed a 2.5% reduction to all state aid but restored 10% of this reduction back to the districts in June of 2004. The overall impact was a reduction of state aid by \$45,000.
- In spite of this reduction, the District's General Fund balance increased from \$648,549 in fiscal year 2003 to \$710,501 in fiscal year 2004. This is a \$61,952 increase.
- The District's major construction projects were completed this year. The District passed a \$4.2 million dollar bond issue in April of 2000 to remodel and build additions to the District's K-12 building. The construction was completed during this fiscal year, which added several elementary classrooms, additional locker rooms, an industrial technology building, and remodeled a multi purpose room and additional classrooms.
- In January 2004 the Dallas County School Infrastructure Local Option (SILO) tax went into effect. The District received \$82,873 in SILO funds of which \$20,719 (25%) was passed on to the City of Van Meter per a 28E sharing agreement. The District's share of SILO funds will be used for future infrastructure needs.

## Overview of the Financial Statements

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

**Figure A-1**

***Van Meter Community School District Annual Financial Report***

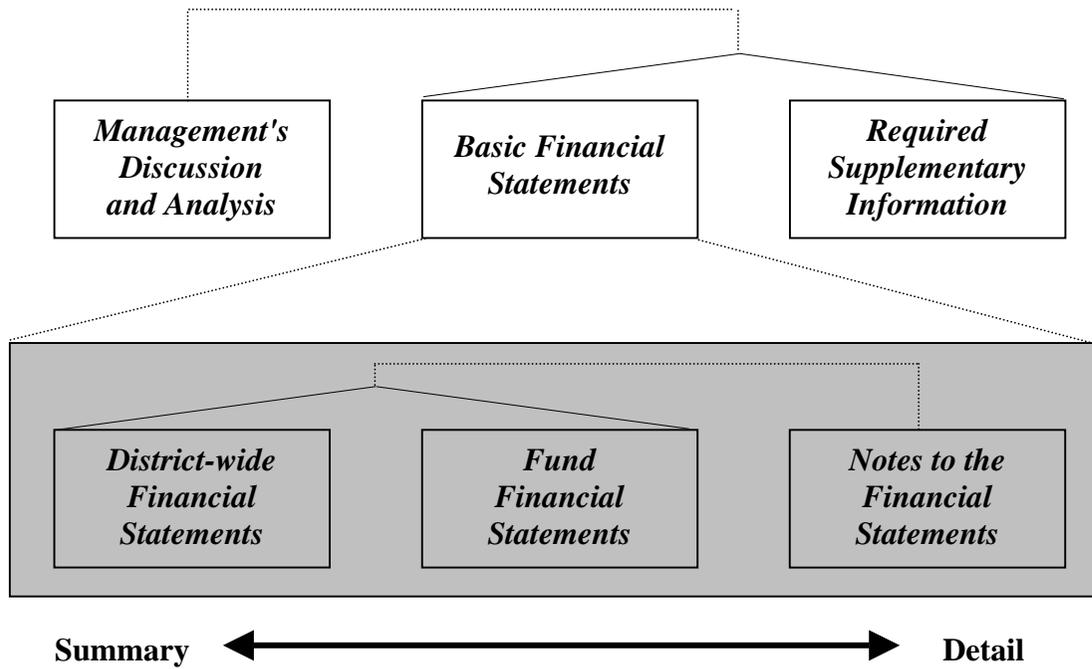


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

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

## District-wide Financial Statements

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

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

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

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

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

- *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. Because this information does not encompass the additional long-term focus of the Districtwide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements

- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *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 District-wide statements.
  - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

## Financial Analysis of the District as a Whole

**Condensed Statement of Net Assets** – Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2004.

### Summary of Net Assets June 30, 2004

Figure A-3

	Governmental Activities	Business- type Activities	Total
Current and Other Assets	\$ 3,385,904	\$ 14,150	\$ 3,400,054
<u>Capital Assets</u>	<u>\$ 6,405,763</u>	<u>\$ 20,231</u>	<u>\$ 6,425,994</u>
<b>Total Assets</b>	<b>\$ 9,791,667</b>	<b>\$ 34,381</b>	<b>\$ 9,826,048</b>
Current Liabilities	\$ 2,124,933	\$ -	\$ 2,124,933
<u>Long Term Liabilities</u>	<u>\$ 4,868,608</u>	<u>\$ -</u>	<u>\$ 4,868,608</u>
<b>Total Liabilities</b>	<b>\$ 6,993,541</b>	<b>\$ -</b>	<b>\$ 6,993,541</b>
Net Assets			
Invested in Capital Assets, (net of related debt)	\$ 1,745,763	\$ 20,231	\$ 1,765,994
Restricted for:			\$ -
Physical Plant & Equip. Levy	\$ 218,419	\$ -	\$ 218,419
Other Special Revenue Purposes	\$ 44,309	\$ -	\$ 44,309
<u>Unrestricted</u>	<u>\$ 789,635</u>	<u>\$ 14,150</u>	<u>\$ 803,785</u>
<b>Total Net Assets</b>	<b>\$ 2,798,126</b>	<b>\$ 34,381</b>	<b>\$ 2,832,507</b>

Cash and pooled investments totaling \$1,427,653 make up 42% of the District’s current and other assets above.

Succeeding year property taxes are listed both as a receivable and again as a current liability as deferred revenue. Succeeding year property taxes total \$1,732,000, which accounts for 82% of the District’s current liabilities and 51% of the District’s current assets.

Bonds payable totaling \$4,345,000 equal 89% of the District’s long-term liabilities.

It is important to note that of the \$2,832,507 of the District’s total net assets, only \$803,785 is considered unrestricted and has not been designated for a specific purpose.

## Changes in Net Assets

Fiscal year 2003-04 marks the initial year the District implemented the GASB-34 financial reporting model. As a result, complete prior year comparisons are not available but will be provided in all subsequent years. Figure A-4 below reflects only the fiscal year ended June 30, 2004.

**Change in District's Net Assets  
June 30, 2004**

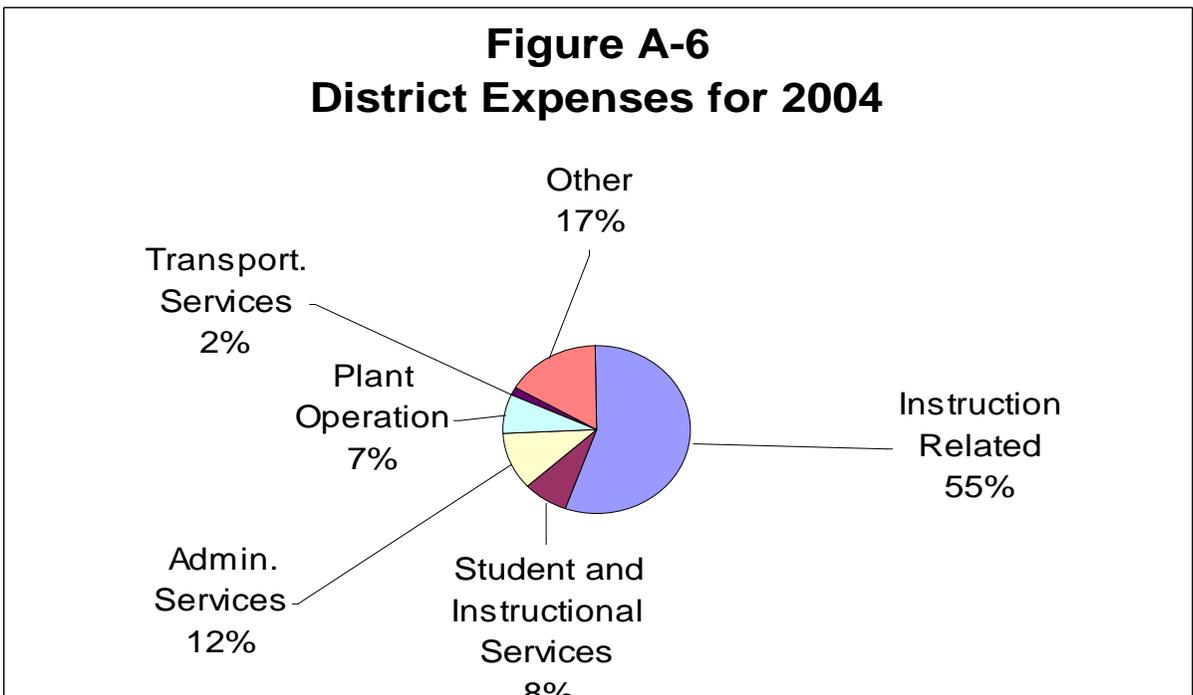
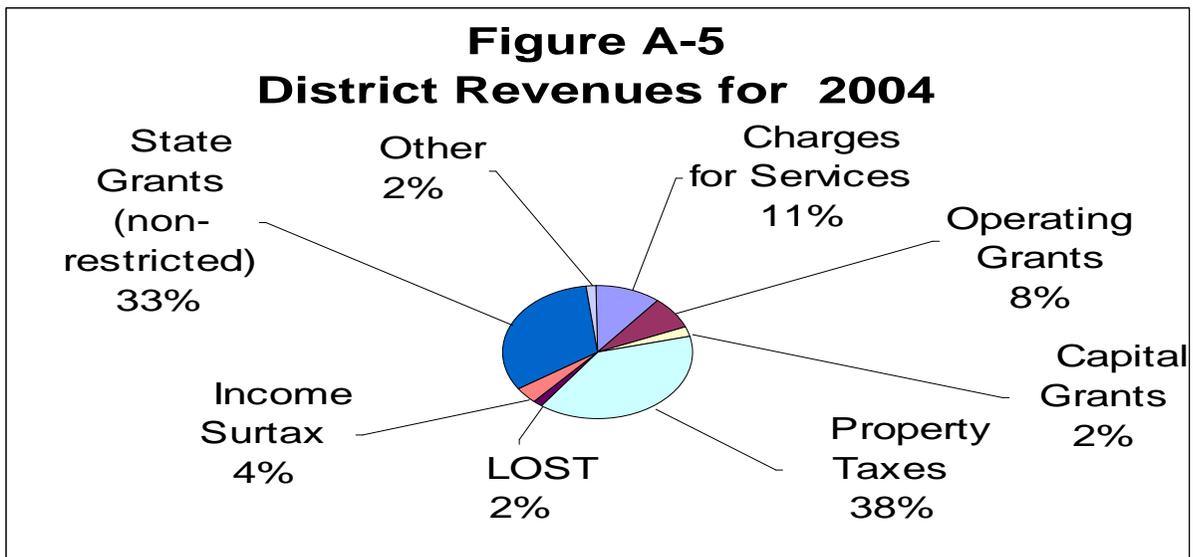
**Figure  
A-4**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 428,095	\$ 130,656	\$ 558,751
Operating Grants and Contributions	\$ 371,603	\$ 37,571	\$ 409,174
Capital Grants and Contributions	\$ 104,500	\$ 8,400	\$ 112,900
General Revenues			\$ -
Property Taxes	\$ 1,937,898	-	\$ 1,937,898
Local Option Sales and Service Tax	\$ 82,873	-	\$ 82,873
Income Surtax	\$ 211,662	-	\$ 211,662
State Grants (non-restricted)	\$ 1,666,846	-	\$ 1,666,846
Other	<u>\$ 88,676</u>	<u>-</u>	<u>\$ 88,676</u>
<b>Total Revenues</b>	<b>\$ 4,892,153</b>	<b>\$ 176,627</b>	<b>\$ 5,068,780</b>
<b>Expenses</b>			
Instruction Related	\$ 2,434,679	\$ -	\$ 2,434,679
Student and Instructional Services	\$ 351,542	\$ -	\$ 351,542
Administration Services	\$ 490,236	\$ -	\$ 490,236
Plant Operation	\$ 311,091	\$ -	\$ 311,091
Transportation Services	\$ 78,726	\$ -	\$ 78,726
<u>Other</u>	<u>\$ 571,178</u>	<u>\$ 173,378</u>	<u>\$ 744,556</u>
<b>Total Expenses</b>	<b>\$ 4,237,452</b>	<b>\$ 173,378</b>	<b>\$ 4,410,830</b>
<b>Increase in Net Assets</b>	<b>\$ 654,701</b>	<b>\$ 3,249</b>	<b>\$ 657,950</b>

The District had total revenues of \$5,068,780 of which \$4,892,153 was for governmental activities and \$176,627 was for business-type activities.

Total District revenues surpassed expenses by \$657,950. Governmental activities accounted for \$654,701 of the overall increase to net assets while business-type activities made up \$3,249 of the increase.

As shown below, property taxes and state grants contribute 71% of overall District revenues, while expenses related to instruction make up over 63% of the District's costs.



## Governmental Activities

Figure A-7 below presents the cost of six major District activities: instruction, support services, administration services, plant operations, transportation, and other. The table also shows each activity's *net cost*, (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

*Note: A two-year comparison with the prior fiscal year is not possible under the new GASB 34 format. In the future, a two-year comparison will be provided.*

### Net Cost of District's Governmental Activities June 30, 2004

### Figure A-7

	Expenses	Revenues	Net Cost
Instruction Related	\$ 2,434,679	\$ 651,531	\$ 1,783,148
Student and Instructional Services	\$ 351,542	\$ 1,787	\$ 349,755
Administration Services	\$ 490,236	\$ -	\$ 490,236
Plant Operation	\$ 311,091	\$ -	\$ 311,091
Transportation Services	\$ 78,726	\$ 5,594	\$ 73,132
<u>Other</u>	<u>\$ 571,178</u>	<u>\$ 245,286</u>	<u>\$ 325,892</u>
<b>Total Expenses</b>	<b>\$ 4,237,452</b>	<b>\$ 904,198</b>	<b>\$ 3,333,254</b>

- The cost of all governmental activities this year was \$4,237,452.
- \$428,095 of the above mentioned cost was financed by the users of the District's programs.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$476,103.
- The majority of the District's net costs of \$3,333,254, however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed primarily with \$1,937,898 in property taxes and \$1,666,846 in unrestricted state aid based on the statewide finance formula.

## **Business-Type Activities**

Revenues of the District's business-type activities (food and nutrition services) were comprised of charges for services, federal and state reimbursements, and capital contributions.

- Business-type activity revenues exceeded expenses by \$3,249.
- Charges for services represent \$130,656 or 74% of total revenue.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$37,571.

## **Financial Analysis of the District's Funds**

As previously noted, the Van Meter Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A summary financial analysis of each individual District fund follows:

### **Proprietary Fund Highlights**

- The **Nutrition Fund's** revenues exceeded expenses by \$3249. This change in net assets remained consistent with 2003 when revenues exceeded expenses by \$4,521.
- Currently, the program has equipment valued at \$78,728 with total accumulated depreciation of \$58,497. With over 74% of kitchen equipment fully depreciated, the District will need to continue to replace out-dated equipment.

### **Governmental Fund Highlights:**

Overall, the District's Governmental Fund combined fund balances increased from \$921,510 in fiscal year 2003 to \$1,120,916 in fiscal year 2004.

- The **General Fund** ending balance increased slightly from \$648,549 in 2003 to \$710,501 in 2004. This fund pays for the vast majority of all instructional and operational costs of the District and represents over 79% of all Governmental Fund expenses in the fiscal year.

- The District's solvency ratio (Undesignated Funds/Total General Fund Revenues) increased slightly from 17.77% in 2003 to 18.85% in 2004 in spite of an unexpected mid-year 2.5% reduction to state aid that reduced the District's General Fund revenue by \$45,000.
- The **Management Fund** balance increased from \$(525) in 2003 to \$66,665 in 2004. Additional funds were levied for in the Management Fund in order to remove the deficit. Property tax revenue increased by approximately \$17,000. In compliance with the Iowa Code, only early retirement benefits and non-medical insurance are paid for through the Management Fund. Expenses decreased by \$32,145 from 2003 to 2004. \$29,000 of this decrease is due to the District discontinuing their equipment insurance.
- The **Physical Plant and Equipment Levy (PPEL) Fund** balance increased from \$169,762 in 2003 to \$218,419 in 2004. The District pays for infrastructure needs, buses, and some equipment out of this fund.
- The **Capital Projects Fund** balance increased from \$39,719 in 2003 to \$62,288 in 2004. The majority of a four million dollar construction project was completed at the end of 2003. Total expenses in this fund were \$1,835,376 in 2003 compared to only \$159,142 in 2004. In 2004, the District received \$82,000 in sales tax refund dollars due to the construction project as well as \$104,500 in a final installment of a federal construction grant. The District also began receiving School Infrastructure Local Option Sales Tax dollars from Dallas County totaling \$82,873, of which \$20,719 was passed on to the City of Van Meter in compliance with a 28E Sharing Agreement.
- The **Activity Fund** ending balance decreased slightly from \$44,968 in 2003 to \$44,309 in 2004. This fund is used to record revenue and expenses involved with co-curricular activities such as basketball, football, drama, drill team, class accounts, etc.
- The **Debt Service Fund** ending balance also remained about the same, decreasing slightly from \$19,037 in 2003 to \$18,734 in 2004. This fund is used to pay principal, interest, and bank fees associated with the District's debt.

### **Budgetary Highlights**

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 blended component units, internal service funds, and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year

utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the cash basis. Over the course of the year, the District amended the certified budget one time. The District increased the 'Other Expenditure' category from \$998,280 to \$1,198,280 to account for additional Dallas County SILO funds, and PPEL expenditures. All other expenses were well within the certified budget as it is the Management's practice to certify the maximum.

A line-item budget is also prepared by Management to monitor expenses and revenues on a monthly basis. District spending decisions are based on the amounts budgeted in attempt to have a positive ending balance each year. The District's budget was not exceeded in any of the four functional areas during the year ended June 30, 2004.

### Capital Assets

At June 30 2004, the District had invested a total of \$6,425,994, net of accumulated depreciation, in a broad range of capital assets including buildings, athletic facilities, computers, audio-visual equipment, school nutrition equipment, and transportation equipment. As shown in Figure A-8, capital assets in governmental activities increased by \$243,642. This increase in valuation is primarily due to a major construction project being completed in 2004 as well as the District implementing a new inventory accounting system to account for capital assets and depreciation to be in compliance with GASB 34.

#### Capital Assets (net of depreciation)

Figure A-8

	Governmental Activities		Business-Type Activities		Totals	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Land	\$ 211,025	\$ 211,025	\$ -	\$ -	\$ 211,025	\$ 211,025
Construction in Progress	\$ 4,837,165	\$ -	\$ -	\$ -	\$ 4,837,165	\$ -
Buildings and Improvements	\$ 913,118	\$ 5,972,493	\$ -	\$ -	\$ 913,118	\$ 5,972,493
<u>Equipment</u>	<u>\$ 200,813</u>	<u>\$ 222,245</u>	<u>\$ 19,520</u>	<u>\$ 20,231</u>	<u>\$ 220,333</u>	<u>\$ 242,476</u>
	\$ 6,162,121	\$ 6,405,763	\$ 19,520	\$ 20,231	\$ 6,181,641	\$ 6,425,994

## Long-Term Debt

At year-end, the district had \$4,868,608 in outstanding general obligation debt and other long-term liabilities. This represents a decrease of \$176,956 (or 3.51%) from last year.

### Outstanding Long-Term Debt as of June 30, 2004

Figure A-9

#### Total School District

	<u>2003</u>	<u>2004</u>	<u>% Change</u>
General Obligation Bonds	\$ 4,520,000	\$ 4,345,000	-3.87%
Capital Loan Notes (PPEL)	\$ 390,000	\$ 315,000	-19.23%
<u>Other</u>	<u>\$ 135,564</u>	<u>\$ 208,608</u>	53.88%
Total	\$ 5,045,564	\$ 4,868,608	-3.51%

## 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:

- The Van Meter Education Association and School Board settled on a three-year contract (2004-07), which is a 4.35% salary/benefit, increase each year.
- Student enrollment went down in 2003-04 by 20.7 students. However, the enrollment count taken in September 2004 (during the 2004-05 school year) increased by 34.4 students. Future enrollment trends are expected to increase significantly due to new housing developments in the District as well as overall growth in the area. This is important as funding is highly dependant upon student enrollment under Iowa's school funding formula.
- The economic development of Dallas and Madison counties will directly impact the District. Both counties have passed the one-cent School Infrastructure Local Option Sales Tax. Economic growth within the District could also lead to increases in the District's taxable valuation.
- The national economy, the State of Iowa's budget, and pending legislative decisions on future allowable growth will also impact schools significantly.

## **Contacting the District's Financial Management**

The 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 Greg DeTimmerman, Superintendent or Shonna Trudo, Business Manager, at Van Meter Community School District, PO Box 257, Van Meter, Iowa, 50261 or call (515) 996-9960.

## Basic Financial Statements

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,416,640	\$ 11,013	\$ 1,427,653
Receivables:			
Property tax:			
Current year	12,113	-	12,113
Succeeding year	1,732,000	-	1,732,000
Income surtax	178,118	-	178,118
Accrued interest	531	-	531
Accounts	28,156	-	28,156
Due from other governments	18,346	377	18,723
Inventories	-	2,760	2,760
Capital assets, net of accumulated depreciation (note 4)	6,405,763	20,231	6,425,994
	<hr/>	<hr/>	<hr/>
Total assets	9,791,667	34,381	9,826,048
Liabilities			
Accounts payable	12,600	-	12,600
Salaries and benefits payable	342,270	-	342,270
Accrued interest payable	38,063	-	38,063
Deferred revenue:			
Succeeding year property tax	1,732,000	-	1,732,000
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	180,000	-	180,000
Notes payable	75,000	-	75,000
Early retirement	75,220	-	75,220
Compensated absences	4,164	-	4,164
Portion due after one year:			
Bonds payable	4,165,000	-	4,165,000
Notes payable	240,000	-	240,000
Early retirement	129,224	-	129,224
	<hr/>	<hr/>	<hr/>
Total liabilities	6,993,541	-	6,993,541

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 1,745,763	\$ 20,231	\$ 1,765,994
Restricted for:			
Physical plant and equipment levy	218,419	-	218,419
Other special revenue purposes	44,309	-	44,309
Unrestricted	<u>789,635</u>	<u>14,150</u>	<u>803,785</u>
Total net assets	<u>\$ 2,798,126</u>	<u>\$ 34,381</u>	<u>\$ 2,832,507</u>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 1,752,984	\$ 280,090	\$ 164,785	\$ -
Special instruction	299,867	27,251	37,339	-
Other instruction	381,828	118,967	23,099	-
	<u>2,434,679</u>	<u>426,308</u>	<u>225,223</u>	<u>-</u>
Support services:				
Student services	119,489	-	-	-
Instructional staff services	232,053	1,787	-	-
Administration services	490,236	-	-	-
Operation and maintenance of plant services	311,091	-	-	-
Transportation services	78,726	-	5,594	-
	<u>1,231,595</u>	<u>1,787</u>	<u>5,594</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	-	104,500
Long-term debt interest and fiscal charges	248,085	-	-	-
AEA flowthrough	140,786	-	140,786	-
Depreciation (unallocated) *	182,307	-	-	-
	<u>571,178</u>	<u>-</u>	<u>140,786</u>	<u>104,500</u>
Total governmental activities	4,237,452	428,095	371,603	104,500
<b>Business-Type Activities:</b>				
Non-instructional programs:				
Food service operations	<u>173,378</u>	<u>130,656</u>	<u>37,571</u>	<u>8,400</u>
Total	<u>\$ 4,410,830</u>	<u>\$ 558,751</u>	<u>\$ 409,174</u>	<u>\$ 112,900</u>

Net (Expense) Revenue  
and Changes in Net Assets

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<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,308,109)	\$ -	\$ (1,308,109)
(235,277)	-	(235,277)
(239,762)	-	(239,762)
<u>(1,783,148)</u>	<u>-</u>	<u>(1,783,148)</u>
(119,489)	-	(119,489)
(230,266)	-	(230,266)
(490,236)	-	(490,236)
(311,091)	-	(311,091)
(73,132)	-	(73,132)
<u>(1,224,214)</u>	<u>-</u>	<u>(1,224,214)</u>
104,500	-	104,500
(248,085)	-	(248,085)
-	-	-
(182,307)	-	(182,307)
<u>(325,892)</u>	<u>-</u>	<u>(325,892)</u>
(3,333,254)	-	(3,333,254)
-	3,249	3,249
<u>(3,333,254)</u>	<u>3,249</u>	<u>(3,330,005)</u>

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Management levy

Capital outlay

Local option sales and services tax

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 10)

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Total</u>
\$	1,186,030	-	\$	1,186,030
	412,373	-		412,373
	138,569	-		138,569
	200,926	-		200,926
	82,873	-		82,873
	211,662	-		211,662
	1,666,846	-		1,666,846
	10,381	-		10,381
	78,295	-		78,295
	<hr/> 3,987,955	-		<hr/> 3,987,955
	654,701	3,249		657,950
	<hr/> 2,143,425	31,132		<hr/> 2,174,557
\$	<u><u>2,798,126</u></u>	<u><u>34,381</u></u>	\$	<u><u>2,832,507</u></u>

## VAN METER COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2004

	General	Special Revenue, Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	\$ 1,031,976	\$ 217,168	\$ 16,173	\$ 151,323	\$ 1,416,640
Receivables:					
Property tax:					
Current year	7,436	1,248	2,561	868	12,113
Succeeding year	1,093,000	175,000	373,000	91,000	1,732,000
Income surtax	178,118	-	-	-	178,118
Accrued interest	524	3	-	4	531
Accounts	-	-	-	28,156	28,156
Due from other governments	18,346	-	-	-	18,346
	<u>1,031,976</u>	<u>217,168</u>	<u>16,173</u>	<u>151,323</u>	<u>1,416,640</u>
Total assets	<u>\$ 2,329,400</u>	<u>\$ 393,419</u>	<u>\$ 391,734</u>	<u>\$ 271,351</u>	<u>\$ 3,385,904</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 5,511	\$ -	\$ -	\$ 7,089	\$ 12,600
Salaries and benefits payable	342,270	-	-	-	342,270
Deferred revenue:					
Succeeding year property tax	1,093,000	175,000	373,000	91,000	1,732,000
Other	178,118	-	-	-	178,118
Total liabilities	<u>1,618,899</u>	<u>175,000</u>	<u>373,000</u>	<u>98,089</u>	<u>2,264,988</u>
Fund balance:					
Reserved for:					
Debt service	-	-	18,734	-	18,734
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	110,974	110,974
Undesignated	710,501	218,419	-	62,288	991,208
Total fund balances	<u>710,501</u>	<u>218,419</u>	<u>18,734</u>	<u>173,262</u>	<u>1,120,916</u>
Total liabilities and fund balances	<u>\$ 2,329,400</u>	<u>\$ 393,419</u>	<u>\$ 391,734</u>	<u>\$ 271,351</u>	<u>\$ 3,385,904</u>

See notes to financial statements.

VAN METER 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	\$ 1,120,916
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,405,763
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	178,118
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.	(38,063)
Long-term liabilities, including bonds payable, notes payable, early retirement, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,868,608)</u>
Net assets of governmental activities	<u>\$ 2,798,126</u>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Special Revenue, Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,369,002	\$ 201,714	\$ 413,990	\$ 221,991	\$ 2,206,697
Tuition	296,314	-	-	-	296,314
Other	58,247	2,957	6	144,516	205,726
State sources	1,927,381	-	-	-	1,927,381
Federal sources	118,150	-	-	104,500	222,650
Total revenues	<u>3,769,094</u>	<u>204,671</u>	<u>413,996</u>	<u>471,007</u>	<u>4,858,768</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,756,946	-	-	74,011	1,830,957
Special instruction	304,009	-	-	119,674	423,683
Other instruction	262,154	-	-	-	262,154
	<u>2,323,109</u>	<u>-</u>	<u>-</u>	<u>193,685</u>	<u>2,516,794</u>
Support services:					
Student services	119,489	-	-	-	119,489
Instructional staff services	232,053	-	-	-	232,053
Administration services	479,204	-	-	10,726	489,930
Operation and maintenance of plant services	304,050	-	-	-	304,050
Transportation services	108,451	-	-	-	108,451
	<u>1,243,247</u>	<u>-</u>	<u>-</u>	<u>10,726</u>	<u>1,253,973</u>
Other expenditures:					
Facilities acquisition	-	89,270	-	159,142	248,412
Long term debt:					
Principal	-	-	250,000	-	250,000
Interest and fiscal charges	-	-	249,397	-	249,397
AEA flowthrough	140,786	-	-	-	140,786
	<u>140,786</u>	<u>89,270</u>	<u>499,397</u>	<u>159,142</u>	<u>888,595</u>
Total expenditures	<u>3,707,142</u>	<u>89,270</u>	<u>499,397</u>	<u>363,553</u>	<u>4,659,362</u>
Excess (deficiency) of revenues over (under) expenditures	<u>61,952</u>	<u>115,401</u>	<u>(85,401)</u>	<u>107,454</u>	<u>199,406</u>

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	<u>General</u>	Special Revenue, Physical Plant and Equipment Levy	<u>Debt Service</u>	Nonmajor Governmental Funds	<u>Total</u>
Other financing sources (uses):					
Interfund transfers in	\$ -	\$ 18,354	\$ 85,098	\$ -	\$ 103,452
Interfund transfers out	-	(85,098)	-	(18,354)	(103,452)
Total other financing sources (uses)	-	(66,744)	85,098	(18,354)	-
Net change in fund balances	61,952	48,657	(303)	89,100	199,406
Fund balances beginning of year, as restated (note 10)	648,549	169,762	19,037	84,162	921,510
Fund balances end of year	<u>\$ 710,501</u>	<u>\$ 218,419</u>	<u>\$ 18,734</u>	<u>\$ 173,262</u>	<u>\$ 1,120,916</u>

See notes to financial statements.

## VAN METER COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 199,406

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	\$ 467,309	
	Depreciation expense	<u>(223,667)</u>	243,642

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 33,385

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 250,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,312

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 governmental funds. (73,044)

Change in net assets of governmental activities \$ 654,701

See notes to financial statements.

## VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUND

June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 11,013
Due from other governments	377
Inventories	2,760
Capital assets, net of accumulated depreciation	<u>20,231</u>
Total assets	<u>34,381</u>
Liabilities	
None	<u>-</u>
Net Assets	
Invested in capital assets, net of related debt	20,231
Unrestricted	<u>14,150</u>
Total net assets	<u>\$ 34,381</u>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>130,656</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	53,741
Benefits	17,869
Purchased services	3,172
Supplies	90,907
Depreciation	<u>7,689</u>
	<u>173,378</u>
Operating loss	<u>(42,722)</u>
Non-operating revenues:	
Capital contributions	8,400
State sources	2,743
Federal sources	<u>34,828</u>
Total non-operating revenues	<u>45,971</u>
Change in net assets	3,249
Net assets beginning of year	<u>31,132</u>
Net assets end of year	\$ <u><u>34,381</u></u>

See notes to financial statements.

## VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 128,469
Cash received from miscellaneous operating activities	2,187
Cash payments to employees for services	(71,610)
Cash payments to suppliers for goods or services	<u>(87,085)</u>
Net cash used in operating activities	<u>(28,039)</u>
Cash flows from non-capital financing activities:	
State grants received	2,743
Federal grants received	<u>28,107</u>
Net cash provided by non-capital financing activities	<u>30,850</u>
Net increase in cash and cash equivalents	2,811
Cash and cash equivalents beginning of year	<u>8,202</u>
Cash and cash equivalents end of year	<u>\$ 11,013</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (42,722)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,689
Commodities used	6,344
Decrease in inventories	<u>650</u>
Net cash used in operating activities	<u>\$ (28,039)</u>

## Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$6,344 of federal commodities. The District also received \$8,400 in capital equipment contributions from the Capital Projects Fund.

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Related Organization – The Van Meter Education Foundation is a related organization with the Van Meter Community School District. The Foundation is independent from the District and the District is not financially dependent upon the Foundation nor obligated for any Foundation debt instruments.

B. Basis of Presentation

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

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

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Special Revenue Fund, Physical Plant and Equipment Levy is used to account for tax revenues and grants that are dedicated to building repairs or improvements and to various items of equipment.

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

The District reports no major proprietary funds.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and 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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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 contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	40 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

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

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

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

E. Budgets and Budgetary Control

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$870,753 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.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Physical Plant and Equipment Levy	Capital Projects	\$ 18,354
Debt Service	Special Revenue: Physical Plant and Equipment Levy	<u>85,098</u>
Total		<u><u>\$ 103,452</u></u>

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets

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

	Balance Beginning of Year, as Restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 211,025	\$ -	\$ -	\$ 211,025
Construction in progress	4,837,165	230,517	5,067,682	-
Total capital assets not being depreciated	<u>5,048,190</u>	<u>230,517</u>	<u>5,067,682</u>	<u>211,025</u>
Capital assets being depreciated:				
Buildings	2,170,588	5,241,682	-	7,412,270
Furniture and equipment	635,122	62,792	-	697,914
Total capital assets being depreciated	<u>2,805,710</u>	<u>5,304,474</u>	<u>-</u>	<u>8,110,184</u>
Less accumulated depreciation for:				
Buildings	1,257,470	182,307	-	1,439,777
Furniture and equipment	434,309	41,360	-	475,669
Total accumulated depreciation	<u>1,691,779</u>	<u>223,667</u>	<u>-</u>	<u>1,915,446</u>
Total capital assets being depreciated, net	<u>1,113,931</u>	<u>5,080,807</u>	<u>-</u>	<u>6,194,738</u>
Governmental activities capital assets, net	<u>\$ 6,162,121</u>	<u>\$ 5,311,324</u>	<u>\$ 5,067,682</u>	<u>\$ 6,405,763</u>

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 72,638	\$ 8,400	\$ 2,310	\$ 78,728
Less accumulated depreciation	53,118	7,689	2,310	58,497
Business-type activities capital assets, net	<u>\$ 19,520</u>	<u>\$ 711</u>	<u>\$ -</u>	<u>\$ 20,231</u>

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

Governmental activities:

    Instruction:

        Regular

\$ 5,394

        Special

1,036

    Support services:

        Operation and maintenance of plant services

7,041

        Transportation

27,889

41,360

Unallocated depreciation

182,307

Total governmental activities depreciation expense

\$ 223,667

Business-type activities:

    Food service operations

\$ 7,689

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Bonds	Capital Loan Note	Early Retirement	Compensated Absences	Total
Balance beginning of year, as restated	\$ 4,520,000	\$ 390,000	\$ 131,706	\$ 3,858	\$ 5,045,564
Additions	-	-	117,632	4,164	121,796
Reductions	175,000	75,000	44,894	3,858	298,752
Balance end of year	<u>\$ 4,345,000</u>	<u>\$ 315,000</u>	<u>\$ 204,444</u>	<u>\$ 4,164</u>	<u>\$ 4,868,608</u>
Due within one year	<u>\$ 180,000</u>	<u>\$ 75,000</u>	<u>\$ 75,220</u>	<u>\$ 4,164</u>	<u>\$ 334,384</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five. Classified employees must have completed ten years of continuous service to the District. Certified employees must have completed ten years of service to the District but the time does not have to be continuous. The early retirement incentive for certified employees will be supplemental pay of ninety days at the per diem rate of the employee's current base salary plus redemption of unused sick leave days at 10% of the per diem rate. The District will also continue furnishing single policy medical insurance for retirees at the same monthly rate in effect at the time of retirement. The early retirement incentive for each classified employee will be the redemption of unused sick days at a rate of \$30 per day, up to a maximum of 165 days. Classified employees may also retain the District's group insurance policy but must pay the monthly premium on the policy. All employees must complete an application which is required to be approved by the Board of Education. The District paid \$44,894 in early retirement benefits during the year ended June 30, 2004.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities (continued)

Bonds Payable

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

Year Ending June 30,	Bond Issue of November 1, 2000			Bond Issue of February 1, 1999			Total	
	Interest Rate	Interest	Principal	Interest Rate	Interest	Principal	Interest	Principal
2005	6.250 %	\$ 209,679	\$ 70,000	3.90 %	\$ 20,505	\$ 110,000	\$ 230,184	\$ 180,000
2006	6.250	205,304	75,000	4.00	16,215	115,000	221,519	190,000
2007	6.250	200,616	85,000	4.00	11,615	115,000	212,231	200,000
2008	6.250	195,304	85,000	4.10	7,015	125,000	202,319	210,000
2009	6.250	189,991	175,000	4.20	1,890	45,000	191,881	220,000
2010	6.250	179,054	230,000	-	-	-	179,054	230,000
2011	5.000	164,679	245,000	-	-	-	164,679	245,000
2012	5.100	152,429	255,000	-	-	-	152,429	255,000
2013	5.200	139,424	270,000	-	-	-	139,424	270,000
2014	5.250	125,384	285,000	-	-	-	125,384	285,000
2015	5.300	110,421	300,000	-	-	-	110,421	300,000
2016	5.350	94,521	315,000	-	-	-	94,521	315,000
2017	5.375	77,669	335,000	-	-	-	77,669	335,000
2018	5.375	59,662	350,000	-	-	-	59,662	350,000
2019	5.375	40,850	370,000	-	-	-	40,850	370,000
2020	5.375	20,962	390,000	-	-	-	20,962	390,000
		<u>\$ 2,165,949</u>	<u>\$ 3,835,000</u>		<u>\$ 57,240</u>	<u>\$ 510,000</u>	<u>\$ 2,223,189</u>	<u>\$ 4,345,000</u>

During the year ended June 30, 2004, the District retired \$175,000 in general obligation bonds.

Capital Loan Note

Details of the District's June 30, 2004 capital loan note indebtedness are as follows:

Maturity	Interest Rate	Interest	Principal
May 1, 2005	2.25 %	\$ 8,448	\$ 75,000
May 1, 2006	2.55	6,760	80,000
May 1, 2007	2.80	4,720	80,000
May 1, 2008	3.10	2,480	80,000
		<u>\$ 22,408</u>	<u>\$ 315,000</u>

During the year ended June 30, 2004, the District retired \$75,000 in capital loan notes.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$129,172, \$128,163, and \$124,594 respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA'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 ISEBA for the year ended June 30, 2004 were \$21,643.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed 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 period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Van Meter 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.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. 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 \$140,786 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.

Note 9. Construction Commitments

The District entered into various contracts totaling \$141,500 for a gym floor renovation and roofing project. The District also had carryover projects totaling \$328,419, including change orders. At June 30, 2004 \$328,419 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the projects progresses.

Note 10. Accounting Change

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 absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) 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 Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-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 District-wide financial statements separate the District's programs between business-type and governmental activities. The beginning net assets 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.

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 10. Accounting Change (continued)

	Fund				Total
	General	Special Revenue, Property Plant and Equipment Levy	Debt Service	Nonmajor	
Net assets, June 30, 2003, as previously reported	\$ 648,549	\$ 169,762	\$ 19,037	\$ 70,212	\$ 907,560
GASB Interpretation 6 adjustments	-	-	-	13,950	13,950
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 648,549</u>	<u>\$ 169,762</u>	<u>\$ 19,037</u>	<u>\$ 84,162</u>	921,510
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$1,691,779					6,162,121
Long-term liabilities:					
Bonds and notes				4,910,000	
Early retirement				131,706	
Compensated absences				<u>3,858</u>	(5,045,564)
Accrued interest payable					(39,375)
Deferred revenue					<u>144,733</u>
Net assets, July 1, 2003, as restated					<u>\$ 2,143,425</u>

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Required Supplementary Information

VAN METER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds  
 and Proprietary Fund  
 Required Supplementary Information  
 Year Ended June 30, 2004

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Fund - Actual		Original	Final	
<b>RECEIPTS:</b>						
Local sources	\$ 2,759,384	\$ 130,656	\$ 2,890,040	\$ 2,817,365	\$ 2,817,365	\$ 72,675
Intermediate sources	-	-	-	1,000	1,000	(1,000)
State sources	1,927,382	2,743	1,930,125	2,155,835	2,155,835	(225,710)
Federal sources	216,974	34,451	251,425	224,000	224,000	27,425
<b>Total receipts</b>	<b>4,903,740</b>	<b>167,850</b>	<b>5,071,590</b>	<b>5,198,200</b>	<b>5,198,200</b>	<b>(126,610)</b>
<b>DISBURSEMENTS:</b>						
Instruction	2,526,175	-	2,526,175	3,631,269	3,631,269	1,105,094
Support services	1,256,068	-	1,256,068	1,804,438	1,804,438	548,370
Non-instructional programs	-	165,039	165,039	245,731	245,731	80,692
Other expenditures	983,759	-	983,759	998,280	1,198,280	214,521
<b>Total disbursements</b>	<b>4,766,002</b>	<b>165,039</b>	<b>4,931,041</b>	<b>6,679,718</b>	<b>6,879,718</b>	<b>1,948,677</b>
Excess (deficiency) of receipts over (under) disbursements	137,738	2,811	140,549	(1,481,518)	(1,681,518)	1,822,067
Balance beginning of year	1,278,902	8,202	1,287,104	1,740,517	1,740,517	(453,413)
Balance end of year	\$ <u>1,416,640</u>	\$ <u>11,013</u>	\$ <u>1,427,653</u>	\$ <u>258,999</u>	\$ <u>58,999</u>	\$ <u>1,368,654</u>

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2004

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 4,903,740	\$ (44,972)	\$ 4,858,768
Expenditures	4,766,002	(106,640)	4,659,362
Net	137,738	61,668	199,406
Beginning fund balances	1,278,902	(357,392)	921,510
Ending fund balances	<u>\$ 1,416,640</u>	<u>\$ (295,724)</u>	<u>\$ 1,120,916</u>
	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 167,850	\$ 8,777	\$ 176,627
Expenses	165,039	8,339	173,378
Net	2,811	438	3,249
Beginning net assets	8,202	22,930	31,132
Ending net assets	<u>\$ 11,013</u>	<u>\$ 23,368</u>	<u>\$ 34,381</u>

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

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 function 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. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$200,000.

During the year ended June 30, 2004, disbursements did not exceed budgeted amounts in any of the four functional areas.

Other Supplementary Information

## VAN METER COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Special Revenue			Total
	Management Levy	Student Activity	Capital Projects	
Assets				
Cash and pooled investments	\$ 65,797	\$ 44,355	\$ 41,171	\$ 151,323
Receivables:				
Property tax:				
Current year	868	-	-	868
Succeeding year	91,000	-	-	91,000
Accrued interest	-	4	-	4
Accounts	-	-	28,156	28,156
Total assets	<u>\$ 157,665</u>	<u>\$ 44,359</u>	<u>\$ 69,327</u>	<u>\$ 271,351</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 50	\$ 7,039	\$ 7,089
Deferred revenue:				
Succeeding year property tax	91,000	-	-	91,000
Total liabilities	<u>91,000</u>	<u>50</u>	<u>7,039</u>	<u>98,089</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	66,665	44,309	62,288	173,262
Total fund equity	<u>66,665</u>	<u>44,309</u>	<u>62,288</u>	<u>173,262</u>
Total liabilities and fund equity	<u>\$ 157,665</u>	<u>\$ 44,359</u>	<u>\$ 69,327</u>	<u>\$ 271,351</u>

See accompanying independent auditor's report.

## VAN METER COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	Special Revenue			Total
	Management Levy	Student Activity	Capital Projects	
Revenues:				
Local sources:				
Local tax	\$ 139,118	\$ -	\$ 82,873	\$ 221,991
Other	12,809	119,015	12,692	144,516
Federal sources	-	-	104,500	104,500
Total revenues	<u>151,927</u>	<u>119,015</u>	<u>200,065</u>	<u>471,007</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	74,011	-	-	74,011
Other instruction	-	119,674	-	119,674
Support services:				
Administration services	10,726	-	-	10,726
Other expenditures:				
Facilities acquisition	-	-	159,142	159,142
Total expenditures	<u>84,737</u>	<u>119,674</u>	<u>159,142</u>	<u>363,553</u>
Excess (deficiency) of revenues over (under) expenditures	67,190	(659)	40,923	107,454
Other financing uses:				
Interfund transfers out	-	-	(18,354)	(18,354)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ 67,190	\$ (659)	\$ 22,569	\$ 89,100
Fund balances beginning of year, as restated (note 10)	<u>(525)</u>	<u>44,968</u>	<u>39,719</u>	<u>84,162</u>
Fund balances end of year	<u>\$ 66,665</u>	<u>\$ 44,309</u>	<u>\$ 62,288</u>	<u>\$ 173,262</u>

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Achievement Junior	\$ 80	\$ -	\$ -	80
Annual	3,671	6,072	4,833	4,910
Athletics	5,915	43,302	44,348	4,869
Baseball	(748)	13,201	11,529	924
Basketball - Boys	87	1,872	1,418	541
Basketball - Girls	255	1,815	1,148	922
Book Fair	1,710	9,164	8,980	1,894
Book Tournament	-	65	74	(9)
Boxtops for Education	683	1,378	1,350	711
Cap and Gown	305	686	653	338
Class of 2002	92	-	-	92
Class of 2003	(75)	-	-	(75)
Class of 2004	129	-	91	38
Class of 2005	2,941	1,734	4,491	184
Class of 2006	2,085	-	-	2,085
Class of 2007	1,783	-	(75)	1,858
Class of 2008	907	4,509	2,674	2,742
Class of 2009	-	3,099	2,455	644
Computer	724	-	724	-
Dance Squad	11	-	-	11
Drama	1,473	2,821	3,196	1,098
Elementary Music - Resale	-	86	376	(290)
Elementary Science Club	-	155	168	(13)
Elementary Yearbook	219	728	661	286
Fieldtrips	169	3,612	3,491	290
Football	468	6,447	5,913	1,002
Heart Association	1,096	-	818	278
Interest - Checking	6,306	-	24	6,282
Interest Public Funds	1,797	47	286	1,558
Junior High Senate	144	-	-	144
Junior High Boys Basketball	5	-	-	5
Junior High Volleyball	(10)	190	216	(36)
National Honor Society	116	456	616	(44)
Pep Club	371	2,555	2,457	469
Pottery	1,034	210	464	780
Prom	97	-	-	97
Reading Incentive	405	-	-	405

VAN METER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Reading Night	\$ 120	\$ -	\$ -	120
Softball	1,103	3,193	3,558	738
Spanish Club	26	-	-	26
Steele Memorial	75	-	-	75
Student Council	3,285	3,440	3,742	2,983
Student Pictures	214	2,524	1,797	941
Summer Recreation	(40)	1,064	-	1,024
Technology Club	344	-	-	344
Track - Boys	174	1,468	804	838
Track - Girls	20	363	-	383
Track - JH Boys	6	-	-	6
Track - JH Girls	2	252	209	45
Tree Project	18	-	-	18
Volleyball	(324)	2,332	1,460	548
Wallace Summer Program	5,700	175	4,725	1,150
 Total	 \$ <u>44,968</u>	 \$ <u>119,015</u>	 \$ <u>119,674</u>	 \$ <u>44,309</u>

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 2,206,697	\$ 1,983,695	\$ 1,944,651	\$ 1,853,124
Tuition	296,314	250,607	208,862	227,974
Other	205,726	729,934	446,745	435,630
Intermediate sources	-	3,060	495	2,688
State sources	1,927,381	1,972,285	2,418,447	1,792,020
Federal sources	222,650	173,202	41,219	27,461
	<u>\$ 4,858,768</u>	<u>\$ 5,112,783</u>	<u>\$ 5,060,419</u>	<u>\$ 4,338,897</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,830,957	\$ 1,942,989	\$ 1,866,531	\$ 1,667,367
Special instruction	423,683	271,976	272,815	273,045
Other instruction	262,154	388,643	397,119	293,876
Support services:				
Student services	119,489	125,077	120,630	113,637
Instructional staff services	232,053	211,721	221,291	223,161
Administration services	489,930	454,189	452,291	430,875
Operation and maintenance of plant services	304,050	280,500	261,447	227,879
Transportation services	108,451	101,224	115,376	107,187
Other expenditures:				
Facilities acquisition	248,412	1,866,240	3,071,693	1,273,999
Long-term debt:				
Principal	250,000	165,000	160,000	240,000
Interest and fiscal charges	249,397	251,256	254,361	206,735
AEA flowthrough	140,786	149,462	140,440	140,236
	<u>\$ 4,659,362</u>	<u>\$ 6,208,277</u>	<u>\$ 7,333,994</u>	<u>\$ 5,197,997</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited the financial statements of Van Meter Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 17, 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 Meter Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Van Meter Community School 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 been resolved except for item II-H-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Meter Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 Part I of 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 been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Van Meter Community School District and other parties to whom Van Meter 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 Meter Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
August 17, 2004

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

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

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-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. 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 consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-04 Activity Admissions – Gate admissions and the change box were not reconciled with prenumbered tickets for a play performed by the High School Drama Club. Receipts totaled \$1,820.

Recommendation – The District should establish reconciliation procedures for all activity admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We will review our present procedures and consider the recommended reconciliation procedures.

Conclusion – Response acknowledged. The District should establish procedures to permit the reconciliation of receipts to reports of admission tickets sold.

I-C-04 Unsupported Disbursements – We noted two disbursements made by the District without proper or full supporting invoices, receipts, or other substantiating documentation.

Recommendation – The procedures described in the above comment weaken the control that the Board has over disbursements since not all of the supporting documentation was available for the Board to examine and support their authorization for payment. All future disbursements should be properly and fully supported by the proper documentation.

Response – We will review and implement these recommendations. We will maintain the proper support for all future disbursements.

Conclusion – Response accepted.

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-D-04     Untimely Deposits – We noted one instance where a payment received by the District was held for two weeks before being deposited.

Recommendation – All receipts for the District should be deposited in a timely manner. Daily deposits would be optimal but at a minimum, weekly deposits should be made by the District to protect the underlying assets.

Response – This was an oversight due to personnel absences. We make most deposits within two to three days whenever possible. We will insure that all deposits will be timely made in the future.

Conclusion – Response accepted.

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, did not exceed the amount budgeted in any of the four functional areas.
- II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-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.
- II-E-04 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-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.
- II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – We noted that total school age students provided instructional program/services by the District reported to the Department of Education for September 2003 was overstated by .9 full time equivalent students.

Recommendation – The District should contact the Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Department of Education and Department of Management.

Conclusion – Response accepted.

- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-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.

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