

VAN BUREN COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

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Van Buren Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 election)</b>		
Tony Huffman	President	2007
Terry Jester	Vice President	2006
Jean McIntosh	Board Member	2007
Dixie Daugherty	Board Member	2007
Jon Finney	Board Member	2006
Tim Blair	Board Member	2005
Sheila Parsons	Board Member	2005
<b>Board of Education (After September 2004 election)</b>		
Tony Huffman	President	2007
Terry Jester	Vice President	2006
Dixie Daugherty	Board Member	2007
Jon Finney	Board Member	2006
Tim Blair	Board Member	2005
Sheila Parsons	Board Member	2005
Jean McIntosh	Board Member (Resigned)	2007
Dale Hornberg	Board Member (Appointed)	2005
<b>School Officials</b>		
Richard Barton	Superintendent	2005
Deb Franklin	Board Secretary (Resigned)	2005
Robyn Booth	Board Secretary (Appointed)	2005
Janet Phelps	Board Treasurer	2005
Crystal Cronk	Attorney	2005

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Van Buren Community School District, Keosauqua, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Van Buren Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 2, 2005, on our consideration of the Van Buren Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental 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. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Van Buren Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 2, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Van Buren Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District was consolidated with Fox Valley Community School District, 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.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$7,696,898 in fiscal 2004 to \$7,137,680 in fiscal 2005, while General Fund expenditures decreased from \$7,433,784 in fiscal 2004 to \$7,165,912 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$1,550,543 in fiscal 2004 to a balance of \$1,522,311 in fiscal 2005, a 1.82% decrease from the prior year.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

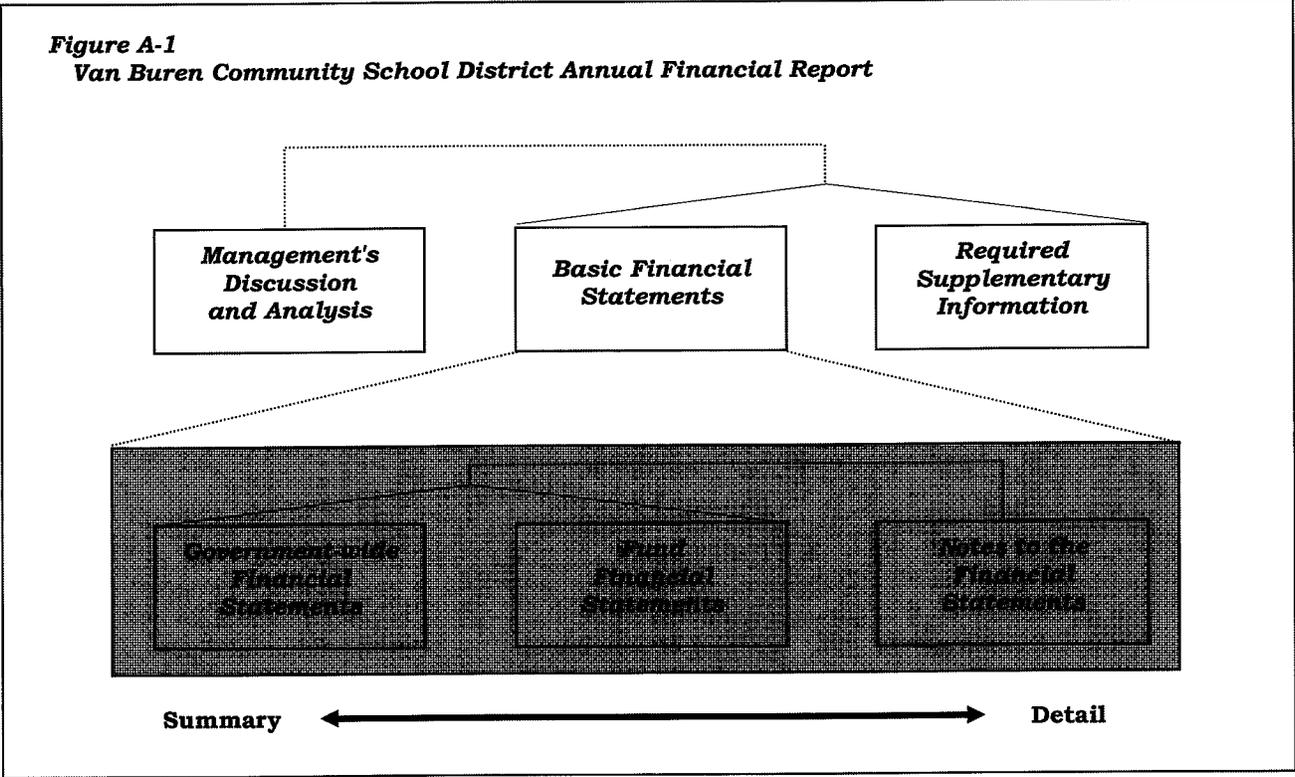


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <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 Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund, and the Day Care Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities 2005	Business-type Activities 2005	Total School District 2005
Current and other assets	\$ 5,486,088	42,029	5,528,117
Capital assets	7,472,114	31,244	7,503,358
Total assets	<u>12,958,202</u>	<u>73,273</u>	<u>13,031,475</u>
Long-term obligations	2,340,000	0	2,340,000
Other liabilities	3,185,770	132,469	3,318,239
Total liabilities	<u>5,525,770</u>	<u>132,469</u>	<u>5,658,239</u>
Net assets:			
Invested in capital assets, net of related debt	5,713,679	31,244	5,744,923
Restricted	64,949	0	64,949
Unrestricted	1,653,804	(90,440)	1,563,364
Total net assets	<u>\$ 7,432,432</u>	<u>(59,196)</u>	<u>7,373,236</u>

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4  
Changes of Net Assets

	Governmental Activities 2005	Business-type Activities 2005	Total School District 2005
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 455,764	276,878	732,642
Operating grants and contributions and restricted interest	1,402,629	179,168	1,581,797
Capital grants and contributions and restricted interest	160,000	0	160,000
<b>General revenues:</b>			
Property tax	2,971,159	0	2,971,159
Local option sales and services tax	141,237	0	141,237
Unrestricted state grants	3,141,762	0	3,141,762
Unrestricted investment earnings	50,820	660	51,480
Other	4,057	0	4,057
<b>Total revenues</b>	<b>8,327,428</b>	<b>456,706</b>	<b>8,784,134</b>
<b>Program expenses:</b>			
<b>Governmental activities:</b>			
Instructional	4,872,481	0	4,872,481
Support services	2,265,683	0	2,265,683
Non-instructional programs	28,950	587,684	616,634
Other expenses	559,287	0	559,287
<b>Total expenses</b>	<b>7,726,401</b>	<b>587,684</b>	<b>8,314,085</b>
Changes in net assets before other financing sources(uses)	601,027	(130,978)	470,049
<b>Other financing sources(uses)</b>			
Transfer in(out)	(200,000)	200,000	0
Loss on disposal of capital assets	0	(2,758)	(2,758)
<b>Total other financing sources(uses)</b>	<b>(200,000)</b>	<b>197,242</b>	<b>(2,758)</b>
Changes in net assets	401,027	66,264	467,291
Beginning net assets	7,031,405	(125,460)	6,905,945
Ending net assets	\$ 7,432,432	(59,196)	7,373,236

Property tax, local option sales and services tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$8,327,428 and expenses were \$7,726,401.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,872,481	3,246,033
Support services	2,265,683	2,265,683
Non-instructional	28,950	28,950
Other expenses	559,287	167,342
Totals	<u>\$ 7,726,401</u>	<u>5,708,008</u>

- The cost financed by users of the District's programs was \$455,764.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,562,629.
- The net cost of governmental activities was financed with \$2,971,159 in property tax, \$141,237 in local option sales and services tax, \$3,141,762 in unrestricted state grants, \$50,820 in interest income and \$4,057 in gain on sale of capital assets.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$456,706 and expenses were \$587,684. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,096,683, below last year's ending fund balance of a \$2,190,738.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Growth during the year in taxes resulted in an increase in revenues. However, along with the increase in revenues, the General Fund also had an increase in expenditures. The General Fund balance decreased from \$1,550,543 in fiscal year 2004 to \$1,522,311 in fiscal year 2005, due in to increased operating costs.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$42,909 at June 30, 2004 to \$23,232 at June 30, 2005, representing a decrease of 46%.

The Day Care Fund net assets improved from a deficit of \$168,369 at June 30, 2004 to a deficit of \$82,428 at June 30, 2005, representing an increase of 51% over the prior year. The increase included a transfer of \$200,000 from the General Fund.

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## BUDGETARY HIGHLIGHTS

The District's receipts were \$357,726 less than budgeted receipts, a variance of 3.93%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$7,503,358, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$246,752.

The original cost of the District's capital assets was \$10,245,988. Governmental funds account for \$10,145,814 with the remainder of \$100,174 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2005, compared to \$1,477,458 reported at June 30, 2004. This increase resulted from an addition to the Douds attendance center that was completed during the year and capitalized.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities	Business-type Activities	Total School District
	2005	2005	2005
Land	\$ 39,311	0	39,311
Buildings	7,046,151	0	7,046,151
Land improvements	32,732	0	32,732
Machinery and equipment	353,920	31,244	385,164
Total	\$ 7,472,114	31,244	7,503,358

### Long-Term Debt

At June 30, 2005, the District had \$2,340,000 in general obligation and other long-term debt outstanding. This represents a decrease of 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District had outstanding general obligation bonds of \$1,840,000 at June 30, 2005.

The District had outstanding qualified zone academy bonds of \$500,000 at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 1,840,000	2,030,000	-9.4%
Qualified zone academy bonds	500,000	500,000	0.0%
Early retirement	0	71,349	100.0%
Totals	\$ 2,340,000	2,601,349	-10.0%

**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 upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The impact of state reductions to education is an unknown that we must be ready to address and compensate.
- The District has experienced reduced enrollment for the last few years, cutting state aid to the District.
- The District receives a large amount of federal and state monies through grants. The grants have to be approved and their continuation depends on federal and state funding.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robyn Booth, Board Secretary/Business Manager, Van Buren Community School District, 503 Henry Street, Keosauqua, Iowa, 52565.

BASIC FINANCIAL STATEMENTS

VAN BUREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
ISCAP (Note 5)	\$ 628,874	0	628,874
Other	1,778,350	34,529	1,812,879
Receivables			
Property tax:			
Delinquent	61,932	0	61,932
Succeeding year	2,424,687	0	2,424,687
Income surtax	216,849	0	216,849
Interfund	129,462	0	129,462
Accounts	9,627	0	9,627
Accrued ISCAP interest (Note 5)	134	0	134
Due from other governments	236,173	0	236,173
Inventories	0	7,500	7,500
Capital assets, net of accumulated depreciation (Note 6)	7,472,114	31,244	7,503,358
<b>TOTAL ASSETS</b>	<b>12,958,202</b>	<b>73,273</b>	<b>13,031,475</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	0	81,793	81,793
Interfund payable	79,978	49,484	129,462
Accounts payable	33,364	635	33,999
ISCAP warrants payable (Note 5)	626,000	0	626,000
ISCAP accrued interest payable (Note 5)	120	0	120
ISCAP unamortized premium	8,407	0	8,407
Accrued interest payable	13,214	0	13,214
Deferred revenue:			
Succeeding year property tax	2,424,687	0	2,424,687
Other	0	557	557
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	195,000	0	195,000
Portion due after one year:			
General obligation bonds payable	1,645,000	0	1,645,000
Qualified zone academy bonds	500,000	0	500,000
<b>TOTAL LIABILITIES</b>	<b>5,525,770</b>	<b>132,469</b>	<b>5,658,239</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	5,713,679	31,244	5,744,923
Restricted for:			
Talented and gifted	8,196	0	8,196
Playground equipment replacement levy	17,908	0	17,908
Other special revenue purposes	38,845	0	38,845
Unrestricted	1,653,804	(90,440)	1,563,364
<b>TOTAL NET ASSETS</b>	<b>\$ 7,432,432</b>	<b>(59,196)</b>	<b>7,373,236</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,980,567	159,880	1,130,159	0
Special instruction	1,175,624	16,312	40,525	0
Other instruction	716,290	279,572	0	0
	<u>4,872,481</u>	<u>455,764</u>	<u>1,170,684</u>	<u>0</u>
<b>Support services:</b>				
Student services	131,450	0	0	0
Instructional staff services	142,072	0	0	0
Administration services	720,223	0	0	0
Operation and maintenance of plant services	494,702	0	0	0
Transportation services	630,818	0	0	0
Central services	146,418	0	0	0
	<u>2,265,683</u>	<u>0</u>	<u>0</u>	<u>0</u>
Non-instructional programs	28,950	0	0	0
<b>Other expenditures:</b>				
Facilities acquisitions	84,610	0	0	160,000
Long-term debt interest	87,458	0	0	0
AEA flowthrough	231,945	0	231,945	0
Depreciation (unallocated) *	155,274	0	0	0
	<u>559,287</u>	<u>0</u>	<u>231,945</u>	<u>160,000</u>
Total governmental activities	7,726,401	455,764	1,402,629	160,000
<b>Business-Type activities:</b>				
Non-instructional programs:				
Nutrition services	331,247	180,007	133,661	0
Day care	256,437	96,871	45,507	0
Total business-type activities	<u>587,684</u>	<u>276,878</u>	<u>179,168</u>	<u>0</u>
<b>Total</b>	<u>\$ 8,314,085</u>	<u>732,642</u>	<u>1,581,797</u>	<u>160,000</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Debt service  
  Capital outlay  
Local option sales and services  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total general revenues

Changes in net assets before other financing sources(uses)

**Other Financing Sources(Uses):**

Transfer in(out)  
Loss on disposal of capital assets  
Total other financing sources(uses)

Changes in net assets

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

Net assets end of year

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,690,528)	0	(1,690,528)
(1,118,787)	0	(1,118,787)
(436,718)	0	(436,718)
<u>(3,246,033)</u>	<u>0</u>	<u>(3,246,033)</u>
(131,450)	0	(131,450)
(142,072)	0	(142,072)
(720,223)	0	(720,223)
(494,702)	0	(494,702)
(630,818)	0	(630,818)
(146,418)	0	(146,418)
<u>(2,265,683)</u>	<u>0</u>	<u>(2,265,683)</u>
(28,950)		(28,950)
75,390	0	75,390
(87,458)	0	(87,458)
0	0	0
(155,274)	0	(155,274)
<u>(167,342)</u>	<u>0</u>	<u>(167,342)</u>
(5,708,008)	0	(5,708,008)
0	(17,579)	(17,579)
0	(114,059)	(114,059)
0	(131,638)	(131,638)
<u>(5,708,008)</u>	<u>(131,638)</u>	<u>(5,839,646)</u>
\$ 2,537,740	0	2,537,740
277,665	0	277,665
155,754	0	155,754
141,237	0	141,237
3,141,762	0	3,141,762
50,820	660	51,480
4,057	0	4,057
<u>6,309,035</u>	<u>660</u>	<u>6,309,695</u>
601,027	(130,978)	470,049
(200,000)	200,000	0
0	(2,758)	(2,758)
<u>(200,000)</u>	<u>197,242</u>	<u>(2,758)</u>
401,027	66,264	467,291
<u>7,031,405</u>	<u>(125,460)</u>	<u>6,905,945</u>
<u>\$ 7,432,432</u>	<u>(59,196)</u>	<u>7,373,236</u>

VAN BUREN COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 628,874	0	0	628,874
Other	1,254,825	344,981	178,544	1,778,350
Receivables:				
Property tax:				
Delinquent	47,842	3,821	10,269	61,932
Succeeding year	2,004,336	0	420,351	2,424,687
Income surtax	216,849	0	0	216,849
Interfund	104,885	2,167	22,410	129,462
Accounts	9,627	0	0	9,627
Accrued ISCAP interest(Note 5)	134	0	0	134
Due from other governments	143,060	0	93,113	236,173
<b>TOTAL ASSETS</b>	<b>\$ 4,410,432</b>	<b>350,969</b>	<b>724,687</b>	<b>5,486,088</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 2,167	21,910	55,901	79,978
Accounts payable	30,242	3,122	0	33,364
ISCAP warrants payable(Note 5)	626,000	0	0	626,000
ISCAP accrued interest payable(Note 5)	120	0	0	120
ISCAP unamortized premium	8,407	0	0	8,407
Deferred revenue:				
Succeeding year property tax	2,004,336	0	420,351	2,424,687
Income surtax	216,849	0	0	216,849
Total liabilities	2,888,121	25,032	476,252	3,389,405
Fund balances:				
Reserved for:				
Debt service	0	0	95,278	95,278
Talented and gifted	8,196	0	0	8,196
Unreserved:				
Undesignated	1,514,115	325,937	153,157	1,993,209
Total fund balances	1,522,311	325,937	248,435	2,096,683
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,410,432</b>	<b>350,969</b>	<b>724,687</b>	<b>5,486,088</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005

Total fund balances of governmental funds (page 16) \$ 2,096,683

*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 in the governmental funds. 7,472,114

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 216,849

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. (13,214)

Long-term liabilities, including bonds payable and qualified zone academy bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. (2,340,000)

**Net assets of governmental activites (page 13) \$ 7,432,432**

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	General	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,161,402	155,754	578,391	2,895,547
Tuition	176,192	0	0	176,192
Other	91,638	8,691	230,063	330,392
State sources	3,691,297	0	0	3,691,297
Federal sources	1,013,094	0	0	1,013,094
Total revenues	<u>7,133,623</u>	<u>164,445</u>	<u>808,454</u>	<u>8,106,522</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	2,996,096	0	59,925	3,056,021
Special instruction	1,175,624	0	0	1,175,624
Other instruction	475,372	0	240,918	716,290
	<u>4,647,092</u>	<u>0</u>	<u>300,843</u>	<u>4,947,935</u>
Support services:				
Student services	134,840	0	0	134,840
Instructional staff services	142,072	0	0	142,072
Administration services	733,788	0	0	733,788
Operation and maintenance of plant services	501,670	0	0	501,670
Transportation services	545,555	0	0	545,555
Other support services	0	0	146,418	146,418
	<u>2,057,925</u>	<u>0</u>	<u>146,418</u>	<u>2,204,343</u>
Non-instructional programs	28,950	0	0	28,950
Other expenditures:				
Facilities acquisitions	0	306,664	5,799	312,463
Long-term debt:				
Principal	0	0	190,000	190,000
Interest and fiscal charges	0	0	88,998	88,998
AEA flowthrough	231,945	0	0	231,945
	<u>231,945</u>	<u>306,664</u>	<u>284,797</u>	<u>823,406</u>
Total expenditures	<u>6,965,912</u>	<u>306,664</u>	<u>732,058</u>	<u>8,004,634</u>
Excess(deficiency) of revenues over(under) expenditures	167,711	(142,219)	76,396	101,888
Other financing sources(uses):				
Sale of equipment	4,057	0	0	4,057
Transfers in	0	0	29,214	29,214
Transfers out	(200,000)	(29,214)	0	(229,214)
Total other financing sources(uses)	<u>(195,943)</u>	<u>(29,214)</u>	<u>29,214</u>	<u>(195,943)</u>
Net change in fund balances	(28,232)	(171,433)	105,610	(94,055)
Fund balance beginning of year, as restated(Note 11)	1,550,543	497,370	142,825	2,190,738
Fund balance end of year	<u>\$ 1,522,311</u>	<u>325,937</u>	<u>248,435</u>	<u>2,096,683</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2005

<b>Net change in fund balances - total governmental funds (page 18)</b>		\$ (94,055)
 <b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
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	\$ 255,881	
Depreciation expense	<u>(240,537)</u>	15,344
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		216,849
 Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:		
Repaid		190,000
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		1,540
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		<u>71,349</u>
<b>Changes in net assets of governmental activities (page 15)</b>		<u>\$ 401,027</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005

	Enterprise Funds		
	School Nutrition	Day Care	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 34,529	0	34,529
Inventories	7,500	0	7,500
Capital assets, net of accumulated depreciation	31,244	0	31,244
Total assets	<u>73,273</u>	<u>0</u>	<u>73,273</u>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	0	81,793	81,793
Interfund payable	49,484	0	49,484
Accounts payable	0	635	635
Deferred revenue:			
Other	557	0	557
Total liabilities	<u>50,041</u>	<u>82,428</u>	<u>132,469</u>
<b>NET ASSETS</b>			
Investment in capital assets	31,244	0	31,244
Unrestricted	(8,012)	(82,428)	(90,440)
Total net assets	<u>\$ 23,232</u>	<u>(82,428)</u>	<u>(59,196)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	Enterprise Funds		
	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 180,007	96,871	276,878
TOTAL OPERATING REVENUES	<u>180,007</u>	<u>96,871</u>	<u>276,878</u>
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	107,875	170,699	278,574
Benefits	14,123	25,233	39,356
Services	82	18,833	18,915
Supplies	202,952	31,846	234,798
Depreciation	6,215	0	6,215
Other	0	9,826	9,826
TOTAL OPERATING EXPENSES	<u>331,247</u>	<u>256,437</u>	<u>587,684</u>
OPERATING INCOME (LOSS)	<u>(151,240)</u>	<u>(159,566)</u>	<u>(310,806)</u>
NON-OPERATING REVENUES:			
State sources	4,269	0	4,269
Federal sources	129,392	45,507	174,899
Interest income	660	0	660
TOTAL NON-OPERATING REVENUES	<u>134,321</u>	<u>45,507</u>	<u>179,828</u>
Change in net assets before other financing sources(uses)	(16,919)	(114,059)	(130,978)
OTHER FINANCING SOURCES(USES):			
Transfer in	0	200,000	200,000
Loss on disposal of assets	(2,758)	0	(2,758)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(2,758)</u>	<u>200,000</u>	<u>197,242</u>
Change in net assets	(19,677)	85,941	66,264
Net assets beginning of year, as restated(Note 11)	<u>42,909</u>	<u>(168,369)</u>	<u>(125,460)</u>
Net assets end of year	<u>\$ 23,232</u>	<u>(82,428)</u>	<u>(59,196)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 180,280	0	180,280
Cash received from miscellaneous operating activities	0	83,570	83,570
Cash payments to employees for services	(121,998)	(195,932)	(317,930)
Cash payments to suppliers for goods or services	(193,193)	(55,370)	(248,563)
Net cash used in operating activities	(134,911)	(167,732)	(302,643)
Cash flows from non-capital financing activities:			
Transfer in from General Fund	0	200,000	200,000
State grants received	4,269	0	4,269
Federal grants received	118,561	45,507	164,068
Net cash provided by non-capital financing activities	122,830	245,507	368,337
Cash flows from capital and related financing activities:			
Purchase of capital assets	(18,739)	0	(18,739)
Net cash used in capital and related financing activities	(18,739)	0	(18,739)
Cash flows from investing activities:			
Interest on investments	660	0	660
Net cash provided by investing activities	660	0	660
Net increase(decrease) in cash and cash equivalents	(30,160)	77,775	47,615
Cash and cash equivalents at beginning of year	64,689	(159,568)	(94,879)
Cash and cash equivalents at end of year	\$ 34,529	(81,793)	(47,264)
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (151,240)	(159,566)	(310,806)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	10,831	0	10,831
Depreciation	6,215	0	6,215
Increase in inventories	(990)	0	(990)
Decrease in accounts receivable	125	0	125
Increase in accounts payable	0	477	477
Increase(Decrease) in deferred revenue	148	(8,643)	(8,495)
Net cash used in operating activities	\$ (134,911)	(167,732)	(302,643)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 34,529	(81,793)	(47,264)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2005, the District received Federal commodities valued at \$10,831.			
SEE NOTES TO BASIC FINANCIAL STATEMENTS.			

VAN BUREN COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

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

The Van Buren Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Keosauqua, Stockport, Douds, Birmingham, Mount Sterling, Milton and Cantril, Iowa, and the predominate agricultural territory in Van Buren and Davis 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 Buren Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Van Buren Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The District reports the following major proprietary funds:

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

the District. The Day Care Fund is used to account for the day care operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

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

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 27,933

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

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

**(3) Transfers**

The detail of transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 29,214
Enterprise, Day Care Fund	General Fund	200,000
Total		<u>\$ 229,214</u>

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

**(4) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue, Physical Plant and Equipment Levy	General	\$ 2,167
Special Revenue, Playground Equipment Replacement Program	Special Revenue, Physical Plant and Equipment Levy	17,908
General	Special Revenue, Management	55,401
Capital Projects	Debt Service	500
Debt Service	Special Revenue, Physical Plant and Equipment Levy	4,002
General	Enterprise, Nutrition	<u>49,484</u>
Total		<u>\$ 129,462</u>

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash

balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	\$ 101	0	0	0
2005-06A	6/28/05	6/28/06	628,773	134	626,000	120
Total			<u>\$ 628,874</u>	<u>134</u>	<u>626,000</u>	<u>120</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2005.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2005-06A	3.500%	3.903%

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 76,378	27,188	3,392	100,174
Less accumulated depreciation	54,900	14,664	634	68,930
Business-type activities capital assets, net	<u>\$ 21,478</u>	<u>12,524</u>	<u>2,758</u>	<u>31,244</u>

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 39,311	0	0	39,311
Construction in progress	1,477,458	0	1,477,458	0
Total capital assets not being depreciated	1,516,769	0	1,477,458	39,311
Capital assets being depreciated:				
Buildings	6,701,117	1,678,339	0	8,379,456
Land improvements	11,616	26,972	0	38,588
Machinery and equipment	1,660,431	28,028	0	1,688,459
Total capital assets being depreciated	8,373,164	1,733,339	0	10,106,503
Less accumulated depreciation for:				
Buildings	1,179,955	153,350	0	1,333,305
Land improvements	3,932	1,924	0	5,856
Machinery and equipment	1,249,276	85,263	0	1,334,539
Total accumulated depreciation	2,433,163	240,537	0	2,673,700
Total capital assets being depreciated, net	5,940,001	1,492,802	0	7,432,803
Governmental activities capital assets, net	\$ 7,456,770	1,492,802	1,477,458	7,472,114

Depreciation expense was charged by the District as follows:

Governmental activities:		
Support services:		
Transportation		85,263
		<u>85,263</u>
Unallocated depreciation		155,274
Administration		
Total governmental activities depreciation expense		<u>\$ 240,537</u>
Business-type activities:		
Food services		\$ 6,215
Total business-type activities depreciation expense		<u>\$ 6,215</u>

**(7) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year, as restated (Note 11)	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 2,030,000	0	190,000	1,840,000	195,000
Qualified Zone Academy Bonds	500,000	0	0	500,000	0
Early Retirement	71,349	0	71,349	0	0
Total	\$ 2,601,349	0	261,349	2,340,000	195,000

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated February 25, 1998			Bond issue dated April 1, 2003			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2006	5.000 %	\$ 170,000	72,523	2.000 %	\$ 25,000	6,762	195,000	79,285	274,285
2007	4.350	180,000	64,022	2.000	30,000	6,263	210,000	70,285	280,285
2008	4.400	185,000	56,193	2.250	30,000	5,663	215,000	61,856	276,856
2009	4.400	195,000	48,052	2.500	30,000	4,987	225,000	53,039	278,039
2010	4.500	200,000	39,473	2.750	30,000	4,237	230,000	43,710	273,710
2011	4.600	210,000	30,472	3.000	35,000	3,413	245,000	33,885	278,885
2012	4.625	220,000	20,813	3.250	35,000	2,363	255,000	23,176	278,176
2013	4.625	230,000	10,638	3.500	35,000	1,225	265,000	11,863	276,863
<b>Total</b>		<b>\$ 1,590,000</b>	<b>342,186</b>		<b>\$ 250,000</b>	<b>34,913</b>	<b>\$ 1,840,000</b>	<b>377,099</b>	<b>2,217,099</b>

Qualified Zone Academy Bonds

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

**(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the year ended June 30, 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the year ended June 30, 2005 was \$226,941, equal to the required contributions for the year.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$231,945 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Combination of Fox Valley Community School District Restatement**

The school districts of Van Buren and Fox Valley combined to form A new district, Van Buren Community School District, effective July 1, 2004. All assets and liabilities were assumed by the newly formed district. The beginning balances have been restated to reflect this merger as follows:

	July 1, 2003	Revenues	Expenditures	June 30, 2004
<b>Governmental Funds:</b>				
<b>General Fund:</b>				
Van Buren	\$ 1,147,135	6,257,589	6,147,942	1,256,782
Fox Valley	140,294	1,439,309	1,285,842	293,761
	<u>1,287,429</u>	<u>7,696,898</u>	<u>7,433,784</u>	<u>1,550,543</u>
<b>Physical Plant and Equipment Levy Fund:</b>				
Van Buren	284,288	1,127,902	1,180,855	231,335
Fox Valley	216,444	75,119	25,528	266,035
	<u>500,732</u>	<u>1,203,021</u>	<u>1,206,383</u>	<u>497,370</u>
<b>Playground Equipment Replacement Levy Fund:</b>				
Van Buren	0	0	0	0
Fox Valley	11,556	7,126	0	18,682
	<u>11,556</u>	<u>7,126</u>	<u>0</u>	<u>18,682</u>
<b>Management Fund:</b>				
Van Buren	23,827	89,313	88,045	25,095
Fox Valley	(14,676)	18,867	59,592	(55,401)
	<u>9,151</u>	<u>108,180</u>	<u>147,637</u>	<u>(30,306)</u>
<b>Student Activity Fund:</b>				
Van Buren	66,044	198,538	206,190	58,392
Fox Valley	3,356	3,031	6,340	47
	<u>69,400</u>	<u>201,569</u>	<u>212,530</u>	<u>58,439</u>
<b>Capital Projects Fund:</b>				
Van Buren	531,961	915,263	1,415,459	31,765
Fox Valley	0	0	0	0
	<u>531,961</u>	<u>915,263</u>	<u>1,415,459</u>	<u>31,765</u>
<b>Debt Service Fund:</b>				
Van Buren	\$ 29,786	312,718	278,259	64,245
Fox Valley	0	0	0	0
	<u>29,786</u>	<u>312,718</u>	<u>278,259</u>	<u>64,245</u>
<b>Total Governmental Funds</b>	<u>\$ 2,440,015</u>	<u>10,444,775</u>	<u>10,694,052</u>	<u>2,190,738</u>

	July 1, 2003	Revenues	Expenditures	June 30, 2004
<b>Proprietary Funds:</b>				
Nutrition Fund:				
Van Buren	\$ 74,299	251,014	251,236	74,077
Fox Valley	(28,610)	26,045	28,603	(31,168)
	45,689	277,059	279,839	42,909
Day Care Fund:				
Van Buren	(203,190)	105,715	70,894	(168,369)
Fox Valley	0	0	0	0
	(203,190)	105,715	70,894	(168,369)
<b>Total Proprietary Funds</b>	<b>\$ (157,501)</b>	<b>382,774</b>	<b>350,733</b>	<b>(125,460)</b>

	Fund Balance	Capital Assets, Net of Accumulated Depreciation	Long-term Liabilities	Interest Payable	Total Net Assets
Combination of Governmental Activities:					
Net assets, July 1, 2004					
Van Buren	\$ 1,667,614	7,305,609	(2,594,509)	(14,754)	6,363,960
Fox Valley	523,124	151,161	(6,840)	0	667,445
Net assets, July 1, 2004, as restated	\$ 2,190,738	7,456,770	(2,601,349)	(14,754)	7,031,405

REQUIRED SUPPLEMENTARY INFORMATION

VAN BUREN COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 3,480,678	264,510
State sources	3,681,147	4,269
Federal sources	1,139,618	174,899
Total revenues	<u>8,301,443</u>	<u>443,678</u>
Disbursements:		
Instruction	4,897,689	0
Support services	2,216,601	0
Non-instructional programs	29,435	645,547
Other expenditures	820,284	0
Total expenditures	<u>7,964,009</u>	<u>645,547</u>
Excess(deficiency) of receipts over(under) disbursements	337,434	(201,869)
Other financing sources(uses), net	<u>(195,943)</u>	<u>200,000</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements and other financing uses	141,491	(1,869)
Balance beginning of year	<u>1,686,343</u>	<u>(94,879)</u>
Balance end of year	<u>\$ 1,827,834</u>	<u>(96,748)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
3,745,188	3,697,974	3,697,974	47,214
3,685,416	4,428,873	4,428,873	(743,457)
1,314,517	976,000	976,000	338,517
<u>8,745,121</u>	<u>9,102,847</u>	<u>9,102,847</u>	<u>(357,726)</u>
4,897,689	5,784,972	5,784,972	887,283
2,216,601	2,126,097	2,326,097	109,496
674,982	903,538	903,538	228,556
820,284	2,270,417	2,070,417	1,250,133
<u>8,609,556</u>	<u>11,085,024</u>	<u>11,085,024</u>	<u>2,475,468</u>
135,565	(1,982,177)	(1,982,177)	(2,117,742)
<u>4,057</u>	<u>5,250</u>	<u>5,250</u>	<u>1,193</u>
139,622	(1,976,927)	(1,976,927)	(2,116,549)
<u>1,591,464</u>	<u>1,977,082</u>	<u>1,977,082</u>	<u>(385,618)</u>
<u>1,731,086</u>	<u>155</u>	<u>155</u>	<u>1,730,931</u>

VAN BUREN COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 8,301,443	(194,921)	8,106,522
Expenditures	7,964,009	40,625	8,004,634
Net	337,434	(235,546)	101,888
Other financing sources(uses), net	(195,943)	0	(195,943)
Beginning fund balances	1,686,343	504,395	2,190,738
Ending fund balances	\$ 1,827,834	268,849	2,096,683

	Proprietary Fund Enterprise		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 443,678	13,028	456,706
Expenditures	645,547	(57,863)	587,684
Net	(201,869)	70,891	(130,978)
Other financing sources, net	200,000	(2,758)	197,242
Beginning fund balances	(94,879)	(30,761)	(125,640)
Ending fund balances	\$ (96,748)	37,372	(59,376)

VAN BUREN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2005

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

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

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

OTHER SUPPLEMENTARY INFORMATION

VAN BUREN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds						Total
	Manage- ment	Student Activity	Playground Equipment Replacement Levy	Total Nonmajor Special Revenue	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and pooled investments	\$ (25,703)	38,845	0	13,142	85,451	79,951	178,544
Receivables:							
Property tax:							
Current year delinquent	3,944	0	0	3,944	6,325	0	10,269
Succeeding year	160,000	0	0	160,000	260,351	0	420,351
Interfund	0	0	17,908	17,908	4,002	500	22,410
Due from other governments	0	0	0	0	0	93,113	93,113
<b>TOTAL ASSETS</b>	<b>\$ 138,241</b>	<b>38,845</b>	<b>17,908</b>	<b>194,994</b>	<b>356,129</b>	<b>173,564</b>	<b>724,687</b>
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Interfund payable	\$ 55,401	0	0	55,401	500	0	55,901
Deferred revenue:							
Succeeding year property tax	160,000	0	0	160,000	260,351	0	420,351
Total liabilities	215,401	0	0	215,401	260,851	0	476,252
Fund equity:							
Fund balances:							
Reserved for debt service	0	0	0	0	95,278	0	95,278
Unreserved:							
Undesignated	(77,160)	38,845	17,908	(20,407)	0	173,564	153,157
Total fund balances	(77,160)	38,845	17,908	(20,407)	95,278	173,564	248,435
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 138,241</b>	<b>38,845</b>	<b>17,908</b>	<b>194,994</b>	<b>356,129</b>	<b>173,564</b>	<b>724,687</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds						Total
	Manage- ment	Student Activity	Playground Equipment Replacement Levy	Total Nonmajor Special Revenue	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 159,489	0	0	159,489	277,665	141,237	578,391
Other	0	221,324	2	221,326	3,152	5,585	230,063
TOTAL REVENUES	159,489	221,324	2	380,815	280,817	146,822	808,454
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	59,925	0	0	59,925	0	0	59,925
Other instruction	0	240,918	0	240,918	0	0	240,918
Support services:							
Other support services	146,418	0	0	146,418	0	0	146,418
Other expenditures:							
Facilities acquisitions	0	0	776	776	0	5,023	5,799
Long-term debt:							
Principal	0	0	0	0	190,000	0	190,000
Interest and fiscal charges	0	0	0	0	88,998	0	88,998
TOTAL EXPENDITURES	206,343	240,918	776	448,037	278,998	5,023	732,058
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(46,854)	(19,594)	(774)	(67,222)	1,819	141,799	76,396
OTHER FINANCING SOURCES:							
Transfers in	0	0	0	0	29,214	0	29,214
TOTAL OTHER FINANCING SOURCES	0	0	0	0	29,214	0	29,214
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(46,854)	(19,594)	(774)	(67,222)	31,033	141,799	105,610
FUND BALANCE BEGINNING OF YEAR, AS RESTATED (NOTE 11)	(30,306)	58,439	18,682	46,815	64,245	31,765	142,825
FUND BALANCE END OF YEAR	\$ (77,160)	38,845	17,908	(20,407)	95,278	173,564	248,435

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
<b>Athletics:</b>					
Secondary Track	\$ 275	592	751	0	116
Boys Track	0	2,910	3,583	0	(673)
Secondary Golf	0	70	362	0	(292)
General Athletics	995	6,663	5,769	(1,125)	764
JR High Baseball	0	45	0	(45)	0
Secondary Softball	45	810	3,911	(616)	(3,672)
Secondary Football	0	6,318	5,850	0	468
Secondary Baseball	0	1,452	5,458	0	(4,006)
Secondary Cross Country	0	517	401	0	116
Secondary Volleyball	0	799	1,139	0	(340)
JR High Track	0	556	346	0	210
Secondary Girls Basketball	0	8,430	5,476	(143)	2,811
Secondary Boys Basketball	0	3,954	1,880	0	2,074
Secondary Wrestling	0	2,472	1,943	0	529
District Football	514	0	150	0	364
<b>Total Athletics</b>	<b>1,829</b>	<b>35,588</b>	<b>37,019</b>	<b>(1,929)</b>	<b>(1,531)</b>
<b>Clubs and Organizations:</b>					
Annual	6,080	3,188	4,691	(1,888)	2,689
Concession Enterprises	752	12,524	9,910	(2,662)	704
Cross Country	(56)	0	0	0	(56)
Drama	1,099	3,245	2,843	270	1,771
F.H.A.	206	297	388	61	176
Football	1,772	4,353	5,872	294	547
FFA	(678)	3,838	6,651	2,487	(1,004)
Industrial Arts	4,160	0	299	49	3,910
Art Club	1,128	790	3,448	1,002	(528)
Magazine Sales	0	4,023	2,784	(1,479)	(240)
Boys Track Fundraising	641	1,352	1,028	0	965
Media Club	86	0	0	0	86
National Honor Society	39	1,106	1,456	0	(311)
Golf Fundraiser	155	0	0	0	155
Pow Wow	449	0	0	0	449
Rhythm Squad	1,389	6,502	6,840	0	1,051
Softball	532	3,320	4,793	1,382	441
Baseball Fundraising	0	3,462	4,046	(789)	(1,373)
Spanish Club	(14)	1,143	1,829	648	(52)
Student Council	(1,748)	2,064	2,798	0	(2,482)
Girls Track Fundraising	41	0	0	0	41
Wrestling Fundraising	1,511	1,073	2,076	(34)	474
Volleyball Fundraising	0	548	1,177	(34)	(663)
Wrestling Cheerleaders	(407)	1,818	1,232	0	179
Boys Basketball Fundraising	659	6,147	3,197	572	4,181
Girls Basketball Fundraising	993	3,439	3,204	(34)	1,194
Football Cheerleaders	955	4,725	4,498	0	1,182
Basketball Cheerleaders	(1,395)	1,037	364	0	(722)
<b>Total Clubs and Organizations</b>	<b>18,349</b>	<b>69,994</b>	<b>75,424</b>	<b>(155)</b>	<b>12,764</b>

VAN BUREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
<b>Classes:</b>					
Class of 2004	(73)	0	0	0	(73)
Class of 2005	929	4,991	897	(4,147)	876
Class of 2006	4,002	2,018	3,159	540	3,401
Class of 2007	3,486	0	0	(260)	3,226
Class of 2008	2,668	26	0	(170)	2,524
Class of 2009	1,181	0	0	807	1,988
Class of 2010	0	0	0	807	807
<b>Total Classes</b>	<b>12,193</b>	<b>7,035</b>	<b>4,056</b>	<b>(2,423)</b>	<b>12,749</b>
<b>Miscellaneous:</b>					
Student Planners	103	0	0	0	103
Interest	91	431	73	0	449
Shop Projects	393	0	0	0	393
Teachers	(3,645)	9,054	13,504	0	(8,095)
Fines	12	49	0	0	61
Book Rent	0	2,739	2,739	0	0
Band	207	144	1,190	0	(839)
Chorus	(18)	1,699	1,457	0	224
Chorus/Band Fundraiser	10,860	50,657	72,156	4,507	(6,132)
<b>Total Miscellaneous</b>	<b>8,003</b>	<b>64,773</b>	<b>91,119</b>	<b>4,507</b>	<b>(13,836)</b>
<b>Stockport Elementary:</b>					
Stockport Band Resale	0	0	64	0	(64)
Stockport Book Fair	2,334	2,288	4,622	0	0
Stockport Enterprise	200	0	0	0	200
Stockport Gym Rent	0	20	0	0	20
Stockport Interest	0	106	0	0	106
Stockport Postage	(38)	400	362	0	0
Stockport Book Rent	0	1,289	1,279	0	10
Stockport Special Projects	8,719	14,869	10,656	0	12,932
Stockport Student Council	743	589	751	0	581
<b>Total Stockport Elementary</b>	<b>11,958</b>	<b>19,561</b>	<b>17,734</b>	<b>0</b>	<b>13,785</b>
<b>Douds Elementary:</b>					
Douds Band Resale	66	322	246	0	142
Douds Book Fair	357	2	0	0	359
Douds School Supplies	180	1	0	0	181
Douds Gym Rent	0	5	5	0	0
Douds Interest	0	67	67	0	0
Douds Library	226	102	0	0	328
Douds Postage	13	725	517	0	221
Douds Book Rent	0	1,470	1,470	0	0
Douds Special Projects	5,207	20,129	12,683	0	12,653
Douds Student Council	58	119	94	0	83
Douds PTO	0	1,431	484	0	947
<b>Total Douds Elementary</b>	<b>6,107</b>	<b>24,373</b>	<b>15,566</b>	<b>0</b>	<b>14,914</b>
<b>Grand Total</b>	<b>\$ 58,439</b>	<b>221,324</b>	<b>240,918</b>	<b>0</b>	<b>38,845</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES

	<u>Modified</u> <u>Accrual Basis</u> <u>2005</u>
Revenues:	
Local sources:	
Local tax	\$ 2,895,547
Tuition	176,192
Other	330,392
State sources	3,691,297
Federal sources	1,013,094
	<u>                    </u>
Total	<u>\$ 8,106,522</u>
Expenditures:	
Current:	
Instruction:	
Regular instruction	\$ 3,056,021
Special instruction	1,175,624
Other instruction	716,290
Support services:	
Student services	134,840
Instructional staff services	142,072
Administration services	733,788
Operation and maintenance of plant services	501,670
Transportation services	545,555
Other support services	146,418
Non-instructional programs	28,950
Other expenditures:	
Facilities acquisitions	312,463
Long-term debt:	
Principal	190,000
Interest and other charges	88,998
AEA flow-through	231,945
	<u>                    </u>
Total	<u>\$ 8,004,634</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 05	\$ <u>321,906</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	<u>10,831</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	25,042
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	93,519
NUTRITION IOWA PILOT FRUIT AND VEGETABLE PROGRAM	10.555	FY 05	21,741
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 05	<u>11,007</u>
			<u>151,309</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	6592-G	<u>177,662</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 05	<u>4,048</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY	84.318	FY 05	<u>781</u>
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION			
DOUDS	84.332	FY 04	31,698
STOCKPORT	84.332	FY 04	25,611
JR/SR HIGH	84.332	FY 04	19,040
DOUDS	84.332	FY 05	23,644
STOCKPORT	84.332	FY 05	28,528
JR/SR HIGH	84.332	FY 05	<u>27,120</u>
			<u>155,641</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 04	2,551
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 05	<u>57,925</u>
			<u>60,476</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 04	24,479
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 05	<u>34,304</u>
			<u>58,783</u>

VAN BUREN COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED) :			
DEPARTMENT OF EDUCATION (CONTINUED) :			
AREA EDUCATION AGENCY (CONTINUED) :			
INSTRUCTIONAL DECISION MAKING MODEL	84.010	FY 04	6,000
INSTRUCTIONAL DECISION MAKING MODEL	84.010	FY 05	9,942
			<u>15,942</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 05	<u>40,255</u>
DEPARTMENT OF HUMAN SERVICES:			
CONSOLIDATED KNOWLEDGE DEVELOPMENT AND APPLICATION PROGRAM			
	93.230	FY 05	<u>118,887</u>
CHILD CARE DEVELOPMENT BLOCK GRANTS			
	93.575	FY 04	<u>8,643</u>
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND (DHS REIMBURSEMENTS)			
	93.596	FY 05	<u>25,856</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA DEPARTMENT OF EDUCATION:			
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS (COMSERV)			
	94.004	FY 04	3,067
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS (COMSERV)			
	94.004	FY 05	2,597
			<u>5,664</u>
TOTAL			<u>\$ 1,156,684</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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

### Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Van Buren Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Buren 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 an opinion 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 II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable 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 caused by error or fraud 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 II-A-05 is a material weakness.

#### Compliance and Other Matters

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

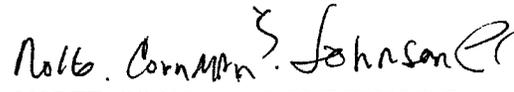
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immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 2, 2005

# **NOLTE, CORNMAN & JOHNSON P.C.**

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

#### Compliance

We have audited the compliance of Van Buren Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Van Buren Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Van Buren Community School District's management. Our responsibility is to express an opinion on Van Buren Community School District's compliance based on our audit.

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

In our opinion, Van Buren Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

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

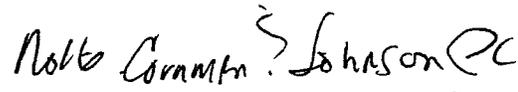
We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention

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relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Van Buren Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-05 is a material weakness.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 2, 2005

VAN BUREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Individual
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.287 - Twenty-First Century Community Learning Centers
  - Clustered Programs
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.555 - Nutrition Iowa Pilot Fruit and Vegetable Program
    - CFDA Number 10.558 - Child and Adult Care Food Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Van Buren Community School District did not qualify as a low-risk auditee.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

II-B-05 Capital Assets - A record of capital asset acquisitions and disbursements are kept, however these changes are not kept up to date.

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

Response - We are working on this.

Conclusion - Response accepted.

II-C-05 Authorized Check Signatures - Checks written from the Student Activity Fund have two signatures; however, the board president is not signing these checks.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District to be in compliance with Chapter 291.1 and Chapter 291.8 of the Code of Iowa. The District should review the current process and adopt procedures to comply with Chapters 291.1 and 291.8 of the Code of Iowa.

Response - We will investigate and implement necessary changes to be in compliance.

Conclusion - Response accepted.

II-D-05 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage. The users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will investigate and implement necessary changes to be in compliance.

Conclusion - Response accepted.

II-E-05 Student Activity Fund Accounts - We noted during our audit that the District has accounts in the Student Activity Fund that appear instructional in nature. These accounts in question include Industrial Arts, Shop Projects and Fines. The District should also close the past class accounts upon graduation. The District has an Interest account that was not allocated out to the other accounts. The District also has a Teacher Pop Account. The expenditures for pop exceed the revenues received. The Staff purchased shirts; however, we noted no evidence of the staff repaying the District for the shirts.

Recommendation - Accounts in the Student Activity Fund that are instructional in nature should be closed and moved to the General Fund. The District should also close past class accounts. The Interest Account needs to be allocated out the various accounts that earned that interest income. The District should review the process and controls to protect inventory for the pop purchased. The District needs to document public purpose. The District should implement a public purpose board policy and staff should be made aware of the purchases not meeting public purpose.

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

Conclusion - Response accepted.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Agency Number: 6592-G  
Federal Award Year: 2005  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.287: Twenty-First Century Community Learning Centers  
Federal Award Year: 2005  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.555: Nutrition Iowa Pilot Fruit and Vegetable Program  
CFDA Number 10.558: Child and Adult Care Food Program  
Federal Award Year: 2005  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

III-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

III-B-05 Free and Reduced Lunch Applications - We noted during our audit that two of the free and reduced lunch applications in our testing were marked as free, but actually should have been marked as reduced.

Recommendation - The District should review the procedures in place for filing free and reduced lunch applications to ensure that the applications are filed correctly. The District should contact the Department of Education to correct the necessary reports.

Response - We will investigate and implement necessary changes to be in compliance.

Conclusion - Response accepted.

VAN BUREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 did not exceed the amount budgeted.

IV-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-05 Business Transactions - No business transactions between the District and District officials were noted.

IV-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-05 Financial Condition - The District had a deficit unreserved undesignated fund balance of \$82,428 in the Enterprise - Day Care Fund. The District had several accounts in the Student Activity Fund with deficit balances at June 30, 2005

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

Response - We will monitor these funds and investigate any available options to eliminate these deficits.

Conclusion - Response accepted.