

VAN METER COMMUNITY SCHOOL DISTRICT  
VAN METER, IOWA

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

JUNE 30, 2005

## TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-21
<b>BASIC FINANCIAL STATEMENTS</b>	
Exhibit	
District-Wide Financial Statements:	
A    Statement of Net Assets	24-25
B    Statement of Activities	26-29
Governmental Fund Financial Statements:	
C    Balance Sheet	30
D    Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	31
E    Statement of Revenues, Expenditures and Changes in Fund Balances	32-33
F    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	34
Proprietary Fund Financial Statements:	
G    Statement of Net Assets	35
H    Statement of Revenues, Expenses, and Changes in Net Assets	36
I    Statement of Cash Flows	37
Fiduciary Fund Financial Statements:	
J    Statement of Fiduciary Net Assets	38
Notes to Financial Statements	39-51
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund	54
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	55
Notes to Required Supplementary Information – Budgetary Reporting	56
<b>OTHER SUPPLEMENTARY INFORMATION:</b>	
Schedule	
Nonmajor Governmental Funds:	
1    Combining Balance Sheet	58
2    Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	59
3    Schedule of Changes in Special Revenue Fund, Student Activity Accounts	60-61
4    Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	62
5    Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	63
<b>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</b>	<b>64-65</b>
<b>SCHEDULE OF FINDINGS</b>	<b>66-68</b>

VAN METER COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Dan Phillips	President	2004
Gene Gabus	Vice President	2006
Donna Davis	Board Member	2004
Donna Eggleston	Board Member	2005
Kevin Ernst	Board Member	2006
<u>Board of Education</u>		
(After September 2004 Election)		
Dan Phillips	President	2007
Gene Gabus	Vice President	2006
Donna Eggleston	Board Member	2005
Kevin Ernst	Board Member	2006
John Seefeld	Board Member	2007
<u>School Officials</u>		
Greg DeTimmerman	Superintendent	2007
Shonna Trudo	District Secretary/Treasurer	2005
Elizabeth Grob	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Van Meter Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic 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, business-type activities, each major fund, and the aggregate remaining fund information of Van Meter Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2005 on our consideration of Van Meter Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 21 and 54 through 56 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Van Meter Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
August 18, 2005

# **Van Meter Community School District**

## **Management Discussion and Analysis**

### **For the Year Ending June 30, 2005**

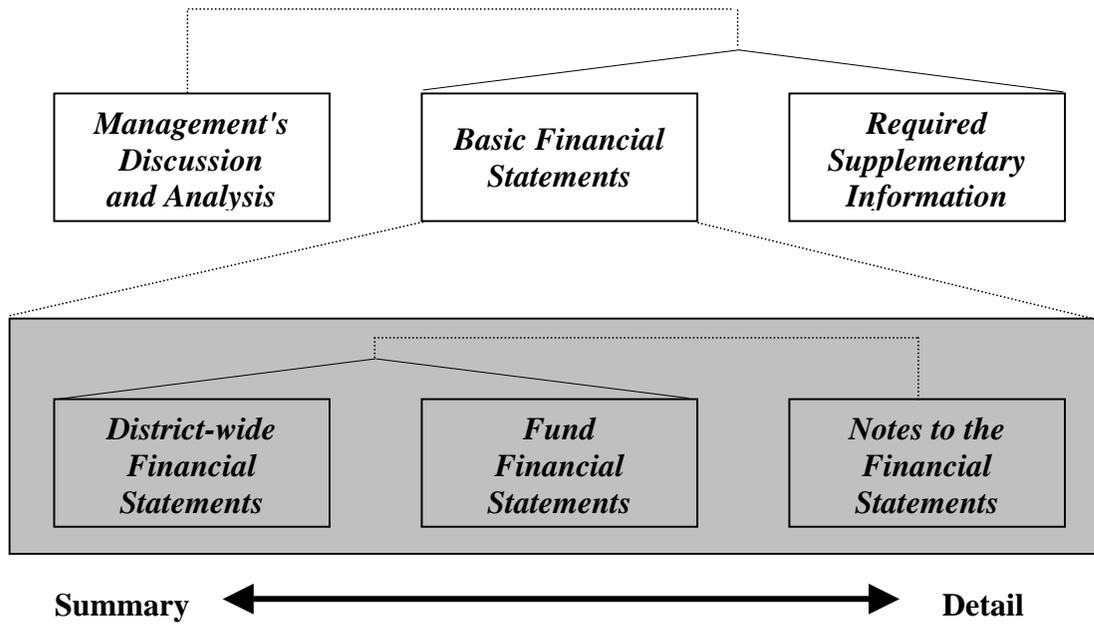
Van Meter Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending June 30, 2005. We encourage readers to consider this information in conjunction with the District's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

#### **Financial Highlights**

- The District's General Fund undesignated balance decreased from \$710,501 in fiscal year 2004 to \$463,810 in fiscal year 2005. One of the reasons for this decrease is that the District's enrollment dropped by 20.7 students in the fall of 2003. Therefore the state funding for the District during fiscal year 2005 was based on this decreased enrollment figure, which actually put the District on budget guarantee. With student enrollment projected to significantly increase due to the westward expansion of the Des Moines metro area as well as new housing developments going up in the District, the District consciously did not make any drastic budget cuts. The District has carried a high undesignated fund balance for the past several years and chose to use some of their dollars in reserve to fund the shortfall. Even with the decrease in the District's fund balance, the District continues to maintain a healthy 12% solvency ratio (well above the recommended 5-10% solvency ratio target).
- The District experienced a significant enrollment increase. The certified enrollment taken in September of every year increased from 512.5 in 2003 to 546.9 in 2004.
- The District had its first full year of receiving both Dallas County and Madison County School Infrastructure Local Option (SILO) taxes. The District continues to pass 25% of the Dallas County SILO proceeds on to the City of Van Meter per a 28E Agreement. The District's share of SILO funds was \$290,890 for fiscal year 2005.

**Figure A-1**

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



## Overview of the Financial Statements

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

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

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

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

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

## District-wide Financial Statements

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

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

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

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

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

## Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as twenty-five percent of all Dallas County SILO proceeds that the City of Van Meter is entitled to. As agreed upon in a 28E Agreement, the District receives a monthly payment from Dallas County for SILO, and then the District passes along 25% to the City of Van Meter. This is the only fiduciary fund the District has.
  - The District is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

**Condensed Statement of Net Assets** – Figure A-3 below provides a comparison of the District's net assets for the year ending June 30, 2005 as compared to the prior year.

**Summary of Net Assets    Figure A-3**  
**June 30, 2005**

	Governmental Activities		Business-type Activities		Totals		% Change
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004 to 2005</u>
Current and Other Assets	\$3,385,904	\$3,441,902	\$ 14,150	\$ 24,229	\$3,400,054	\$3,466,131	1.94%
<u>Capital Assets</u>	<u>\$6,405,763</u>	<u>\$6,298,404</u>	<u>\$ 20,231</u>	<u>\$ 18,022</u>	<u>\$6,425,994</u>	<u>\$6,316,426</u>	<u>-1.71%</u>
<b>Total Assets</b>	<b>\$9,791,667</b>	<b>\$9,740,306</b>	<b>\$ 34,381</b>	<b>\$ 42,251</b>	<b>\$9,826,048</b>	<b>\$9,782,557</b>	<b>-0.44%</b>
Current Liabilities	\$2,124,933	\$2,229,096	\$ -	\$ -	\$2,124,933	\$2,229,096	4.90%
<u>Long Term Liabilities</u>	<u>\$4,868,608</u>	<u>\$4,581,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,868,608</u>	<u>\$4,581,642</u>	<u>-5.89%</u>
<b>Total Liabilities</b>	<b>\$6,993,541</b>	<b>\$6,810,738</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$6,993,541</b>	<b>\$6,810,738</b>	<b>-2.61%</b>
Net Assets							
Invested in Capital Assets, (net of related debt)	\$1,745,763	\$1,893,404	\$ 20,231	\$ 18,022	\$1,765,994	\$1,911,426	8.24%
Restricted for:					\$ -	\$ -	
Physical Plant & Equip. Levy	\$ 218,419	\$ 127,860	\$ -	\$ -	\$ 218,419	\$ 127,860	-41.46%
Other Special Revenue Purposes	\$ 44,309	\$ 47,362	\$ -	\$ -	\$ 44,309	\$ 47,362	6.89%
Capital Projects	\$ -	\$ 353,522	\$ -	\$ -	\$ -	\$ 353,522	100.00%
<u>Unrestricted</u>	<u>\$ 789,635</u>	<u>\$ 507,420</u>	<u>\$ 14,150</u>	<u>\$ 24,229</u>	<u>\$ 803,785</u>	<u>\$ 531,649</u>	<u>-33.86%</u>
<b>Total Net Assets</b>	<b>\$2,798,126</b>	<b>\$2,929,568</b>	<b>\$ 34,381</b>	<b>\$ 42,251</b>	<b>\$2,832,507</b>	<b>\$2,971,819</b>	<b>4.92%</b>

Cash and pooled investments went from \$1,427,653 in 2004 to \$1,338,912 in 2005. The majority of this decrease is due to the General Fund's cash and pooled investments going down due to very little increase in the state monies (due to being on the budget guarantee for decreased enrollment) but costs continuing to rise (i.e. teacher salaries and benefits increasing by 4.35%).

Succeeding year property taxes are listed both as a receivable and again as a current liability as deferred revenue. Succeeding year property taxes for 2005 totaled \$1,761,000, which accounts for 79% of the District's current liabilities and 51% of the District's current assets.

One difference in the comparison of net assets from 2004 to 2005 is the change in the District's unrestricted funds. These are funds that have not been designated for a specific purpose. In 2004, unrestricted funds were \$803,785 and in 2005 they dropped 33% to \$531,649. As explained previously, this was due to the District consciously using a portion of the District's reserves to help make up the shortfall in funds.

# Changes in Net Assets

Figure A-4 below is a comparison in the changes to the District's net assets between 2004 and 2005.

Change in District's Net Assets  
June 30, 2005

Figure A-4

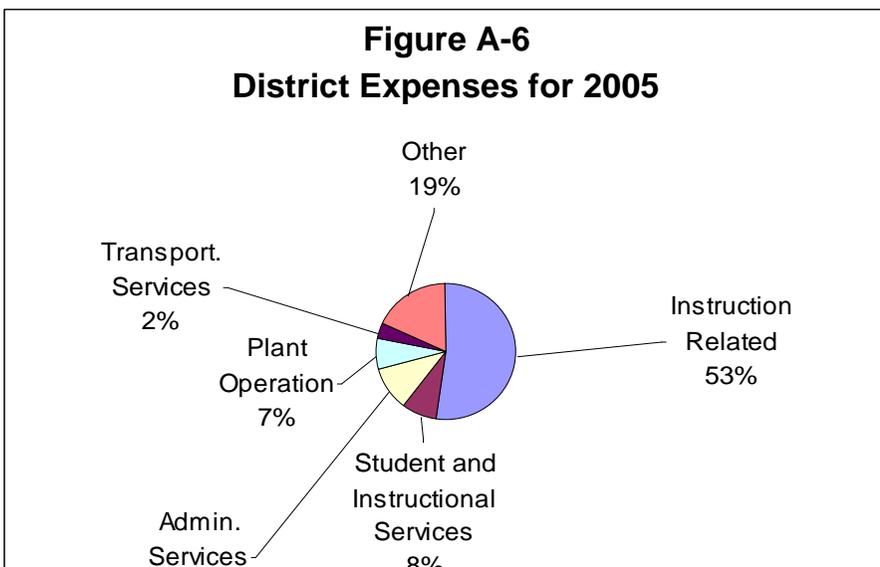
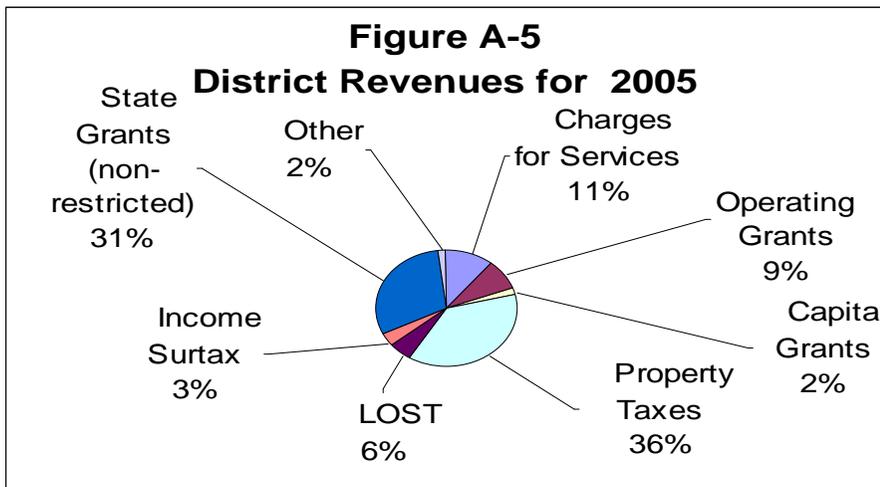
	Governmental Activities		Business-Type Activities		Totals		% Change
	2004	2005	2004	2005	2004	2005	<u>2004 to 2005</u>
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 28,095	\$ 439,665	\$130,656	\$140,455	\$ 558,751	\$ 580,120	3.82%
Operating Grants and Contributions	\$ 371,603	\$ 407,919	\$ 37,571	\$ 43,762	\$ 409,174	\$ 451,681	10.39%
Capital Grants and Contributions	\$ 104,500	\$ 93,912	\$ 8,400	\$ -	\$ 112,900	\$ 93,912	-16.82%
General Revenues					\$ -		
Property Taxes	\$1,937,898	\$1,918,642			\$1,937,898	\$1,918,642	-0.99%
Local Option Sales and Service Tax	\$ 82,873	\$ 290,890			\$ 82,873	\$ 290,890	251.01%
Income Surtax	\$ 211,662	\$ 178,091			\$ 211,662	\$ 178,091	-15.86%
State Grants (non-restricted)	\$1,666,846	\$1,640,926			\$1,666,846	\$1,640,926	-1.56%
Other	\$ 88,676	\$ 82,288		\$ 216	\$ 88,676	\$ 82,504	-6.96%
<b>Total Revenues</b>	<b>\$4,892,153</b>	<b>\$5,052,333</b>	<b>\$176,627</b>	<b>\$184,433</b>	<b>\$5,068,780</b>	<b>\$5,236,766</b>	<b>3.31%</b>
<b>Expenses</b>							
Instruction Related	\$2,434,679	\$2,648,643	\$ -		\$2,434,679	\$2,648,643	8.79%
Student and Instructional Services	\$ 351,542	\$ 409,868	\$ -		\$ 51,542	\$ 409,868	16.59%
Administration Services	\$ 490,236	\$ 529,596	\$ -		\$ 490,236	\$ 529,596	8.03%
Plant Operation	\$ 311,091	\$ 377,973	\$ -		\$ 311,091	\$ 377,973	21.50%
Transportation Services	\$ 78,726	\$ 178,311	\$ -		\$ 78,726	\$ 178,311	126.50%
Other	\$ 571,178	\$ 776,500	\$173,378	\$176,563	\$ 744,556	\$ 953,063	28.00%
<b>Total Expenses</b>	<b>\$4,237,452</b>	<b>\$4,920,891</b>	<b>\$173,378</b>	<b>\$176,563</b>	<b>\$4,410,830</b>	<b>\$5,097,454</b>	<b>15.57%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 654,701</b>	<b>\$ 131,442</b>	<b>\$ 3,249</b>	<b>\$ 7,870</b>	<b>\$ 657,950</b>	<b>\$ 139,312</b>	<b>-78.83%</b>

- As shown above, the District's overall revenues remained steady, only increasing by 3%. However, the District received substantially more Local Option Sales and Service Taxes. This revenue category went up 251% due to 2005 being the first year for receiving an entire year's worth of both Madison and Dallas County SILO taxes.
- The District's overall expenses increased by 15%. One of the reasons for this is due to the District's transportation costs going up by approximately \$100,000 due to the purchase of additional vehicles (a van and a handicap accessible bus). Salaries and benefits also went up by 4.35% due to a settlement between the School Board and Van Meter Education Association for the period 2004-07.
- The District's 'Other Expenses' increased by nearly \$209,000 due largely to flood-related costs of over \$130,000. The District had to replace the gym floor and do some mitigation projects on school grounds in order to re-route rain water as to avoid flooding in the future. Eighty-five percent of these costs will be reimbursed by FEMA. The majority of the reimbursement will not be received by the District until 2006. Also, the District began a remodeling project of various secondary classrooms in an effort to maintain and update the existing 1927 upstairs portion of the building. In 2005, approximately \$40,000 was spent to begin this project.

The District had total revenues of \$5,236,766 of which \$5,052,333 (97%) was for governmental activities and \$184,433 (3%) was for business-type activities. These percent to totals remained the same from 2004 to 2005.

As shown below, property taxes and state grants contribute 68% of overall District revenues, while expenses related to instruction make up over 60% of the District's costs.

In 2005, total District revenues surpassed expenses by \$139,312. This net increase in assets is down approximately \$518,000 from 2004. Again, this is due to revenues remaining fairly constant, only increasing by \$167,986 from 2004 to 2005 while expenses experienced an overall increase of \$686,624, due to salaries, transportation costs, and remodeling projects increasing the total overall expenses.



## Governmental Activities

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

Net Cost of District's Governmental Activities      Figure A-7  
June 30, 2005

	2005			2004		
	Expenses	Revenues	Net	Expenses	Revenues	Net
Instruction Related	\$2,648,643	\$ 702,429	\$1,946,214	\$2,434,679	\$ 651,531	\$1,783,148
Student and Instructional Services	\$ 409,868	\$ 3,764	\$ 406,104	\$ 351,542	\$ 1,787	\$ 349,755
Administration Services	\$ 529,596	\$ -	\$ 529,596	\$ 490,236	\$ -	\$ 490,236
Plant Operation	\$ 377,973	\$ -	\$ 377,973	\$ 311,091	\$ -	\$ 311,091
Transportation Services	\$ 178,311	\$ 3,629	\$ 174,682	\$ 78,726	\$ 5,594	\$ 73,132
<u>Other</u>	<u>\$ 776,500</u>	<u>\$ 231,674</u>	<u>\$ 544,826</u>	<u>\$ 571,178</u>	<u>\$ 245,286</u>	<u>\$ 325,892</u>
<b>Total Expenses</b>	<b>\$4,920,891</b>	<b>\$ 941,496</b>	<b>\$3,979,395</b>	<b>\$4,237,452</b>	<b>\$ 904,198</b>	<b>\$3,333,254</b>

- The cost of all governmental activities for 2005 was \$4,920,891. This is an increase of \$683,439 from 2004.
- \$439,665 of the above mentioned cost was financed by the users of the District's programs. Federal and state governments subsidized certain programs with grants and contributions totaling \$501,831.
- The majority of the District's net costs of \$3,979,395, however, were financed by District taxpayers and the taxpayers of our state.
- The 2005 net cost portion of governmental activities was financed in part with \$1,918,642 in property taxes and \$1,640,926 in unrestricted state aid based on the statewide finance formula.

## Business-Type Activities

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

- Business-type activity revenues exceeded expenses by \$7,870 in 2005. This amount is up from \$3,249 in 2004. This was mainly due to 36 more kids in the building in 2005 than 2004, thus resulting in increased revenues from daily lunch and breakfast sales.
- Charges for services represent \$140,455 or 77% of total revenue, while federal and state reimbursement for meals, including payments for free and reduced lunches was \$43,762, or 23% of total revenue.
- Even with serving additional students in 2005, expenses only went up slightly going from \$173,378 in 2004 to \$176,563 in 2005. This is a result of taking advantage of low prices through a coop-purchasing/bulk rate type of buying.

## Financial Analysis of the District's Funds

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

### Proprietary Fund Highlights

- The **Nutrition Fund's** revenues exceeded expenses by \$7,870. This change in net assets was an increase from \$3,249 in 2004 and \$4,521 in 2003.

### Governmental Fund Highlights:

Overall, the District's Governmental Fund combined fund balances decreased from \$1,120,916 in fiscal year 2004 to \$1,071,497 in fiscal year 2005.

- The **General Fund** ending balance decreased from \$710,501 in 2004 to \$463,810 in 2005. This fund pays for the vast majority of all instructional and operational costs of the District and represents over 80% of all Governmental Fund expenses in the fiscal year.
- General Fund revenues remained consistent only increasing 2%, from \$3,769,094 in 2004 to \$3,823,136 in 2005.
- However, expenses increased by 10% going from \$3,707,142 last year to \$4,069,827 in 2005. Instruction related expenses increased by 6%. The majority of these costs are for salaries and benefits. The salaries and benefits package increased 4.35% for employees pursuant to the settlement reached between the Van Meter Education

Association and School Board. The other areas that saw a significant increase in expenses are transportation and plant operation. This is due to updating/adding to the current vehicle fleet as well as updating and maintaining the District's maintenance equipment.

- The District's solvency ratio (Undesignated Funds/Total General Fund Revenues) decreased from 18.80% in 2004 to 12.13% in 2005. Although this went down significantly, the District's current solvency ratio is still above the recommended target range of 5-10%.
- The **Management Fund** balance remained consistent going from \$66,665 in 2004 to \$57,746 in 2005. The District decided to decrease the Management Fund Levy from \$139,000 in 2004 to \$100,000 in 2005 due to the healthy balance in this fund. In compliance with Iowa Code, only early retirement benefits and non-medical insurance are paid for out of the Management Fund.
- The **Physical Plant and Equipment Levy (PPEL) Fund** balance decreased from \$218,419 in 2004 to \$127,860 in 2005. The District had been saving a portion of their PPEL funds for remodeling projects in order to maintain the building. The District began remodeling various secondary classrooms during 2005. They also incurred approximately \$130,000 of expenses due to a flood in May of 2004. The District had to replace the gym floor and do some mitigation projects on school grounds in order to re-route rain water as to avoid flooding in the future. Eighty-five percent of these costs will be reimbursed by FEMA. The majority of the reimbursement will not be received by the District until 2006.
- The **Capital Projects Fund** balance increased from \$62,288 in 2004 to \$353,522 in 2005. The District did not have any expenditures in the Capital Projects Fund. All revenues in this fund were received from the School Infrastructure Local Option Sales Tax dollars from Dallas and Madison Counties totaling \$290,890.
- The **Activity Fund** ending balance increased slightly from \$44,309 in 2004 to \$47,362 in 2005. This fund is used to record revenue and expenses involved with co-curricular activities such as basketball, football, drama, drill team, class accounts, etc.
- The **Debt Service Fund** ending balance also increased slightly from \$18,734 in 2004 to \$21,197 in 2005. This fund is used to pay principal, interest, and bank fees associated with the District's debt. All revenues are generated from property taxes which are levied to cover the District's debt expense for the given year.

## Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except blended component units, internal service funds, and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the cash basis. Over the course of the year, the District amended the certified budget one time. The District increased the 'Other Expenditure' category from \$981,808 to \$1,206,808 to account for additional Dallas County SILO funds, and PPEL expenditures. All other expenses were well within the certified budget as it is the Management's practice to certify the maximum.

A line-item budget is also prepared by Management to monitor expenses and revenues on a monthly basis. District spending decisions are based on the amounts budgeted in attempt to have a positive ending balance each year. However, as previously stated, the District decided to spend a portion of their reserve funds to account for the shortfall in state funding due to educating more kids in 2005 but receiving state aid based on enrollment data from nearly two years ago. The District's budget was not exceeded in any of the four functional areas during fiscal 2005.

## Capital Assets

At June 30, 2005, the District had invested a total of \$6,316,426, net of accumulated depreciation of \$2,132,073, in a broad range of capital assets including buildings, athletic facilities, computers, audio-visual equipment, school nutrition equipment, and transportation equipment. As shown in Figure A-8, capital assets in governmental activities remained consistent, decreasing by only \$109,568 or 2%. In 2005 the District had \$72,518 of construction in progress which was a remodeling project in various secondary classrooms.

Capital Assets (net of depreciation)                      Figure A-8

	Governmental Activities		Business-Type Activities		Totals	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land	\$ 211,025	\$ 211,025	\$ -		\$ 211,025	\$ 211,025
Construction in Progress	\$ -	\$ 72,518	\$ -		\$ -	\$ 72,518
Buildings and Improvements	\$5,972,493	\$5,790,186	\$ -		\$5,972,493	\$5,790,186
<u>Equipment</u>	<u>\$ 222,245</u>	<u>\$ 224,675</u>	<u>\$ 20,231</u>	<u>\$ 18,022</u>	<u>\$ 242,476</u>	<u>\$ 242,697</u>
<b>Total</b>	<b>\$6,405,763</b>	<b>\$6,298,404</b>	<b>\$ 20,231</b>	<b>\$ 18,022</b>	<b>\$6,425,994</b>	<b>\$6,316,426</b>

## Long-Term Liabilities

At year end, the district had \$4,581,642 in general obligation debt and other long-term liabilities outstanding. This represents a decrease of \$286,966 (or 6%) from last year.

### Outstanding Long-Term Liabilities as of June 30, 2005

### Figure A-9

#### Total School District

	<u>2004</u>	<u>2005</u>	<u>Net Decrease</u>
General Obligation Bonds	\$ 4,345,000	\$ 4,165,000	\$ 180,000
Capital Loan Notes (PPEL)	\$ 315,000	\$ 240,000	\$ 75,000
<u>Other</u>	<u>\$ 208,608</u>	<u>\$ 176,642</u>	<u>\$ 31,966</u>
Total	\$ 4,868,608	\$ 4,581,642	\$ 286,966

## Factors Bearing on the District's Future

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

- The Van Meter Education Association and School Board settled on a three year contract (2004-07) which is a 4.35% salary/benefit increase each year.
- The enrollment count taken in September 2005 (during the 2005-06 school year) increased by 15.8 students. Future enrollment trends are expected to increase significantly due to new housing developments in the District as well as overall growth in the area. This is important as funding is highly dependant upon student enrollment under Iowa's school funding formula. The District is also beginning to see a growing shift of students open enrolling into the District rather than out of the District. In September 2005 (during the 2005-06 school year) the District experienced a positive balance in their open enrollments, noting that 11 more students were coming into the District than out.
- The Instructional Support Levy is up for renewal in 2006. The School Board plans to renew this additional source of funding for the maximum five years. This additional levy generates over \$200,000 for the District that helps fund instructional programs. The Instructional Support Levy is funded in three parts; income surtax, state aid, and property taxes.
- The District's Physical Plant and Equipment Levy (PPEL) is set to expire in June 2008. The School Board plans to take this to the voters in September 2007 and ask for the full levy amount of \$1.34 for the next ten years. This levy generates approximately \$180,000 for infrastructure needs. The District's patrons have been very supportive of this levy in the past. It will be critical to keep the PPEL in place for future building needs to accommodate the District's growing enrollment.

- The economic development of Dallas and Madison counties will directly impact the District. Both counties have passed the one cent School Infrastructure Local Option Sales Tax. Economic growth within the District could also lead to increases in the District's taxable valuation.
- The national economy, the State of Iowa's budget, and pending legislative decisions on future allowable growth will also impact schools significantly.

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

The financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Greg DeTimmerman, Superintendent or Shonna Trudo, Business Manager, at Van Meter Community School District, PO Box 257, Van Meter, Iowa, 50261 or call (515) 996-9960.

This page intentionally left blank

## Basic Financial Statements

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,320,139	\$ 18,773	\$ 1,338,912
Receivables:			
Property tax:			
Current year	10,927	-	10,927
Succeeding year	1,761,000	-	1,761,000
Income surtax	178,004	-	178,004
Accrued interest	1,793	25	1,818
Accounts	-	2,428	2,428
Due from other governments	170,039	-	170,039
Inventories	-	3,003	3,003
Capital assets, net of accumulated depreciation (note 4)	6,298,404	18,022	6,316,426
<b>Total assets</b>	<b>9,740,306</b>	<b>42,251</b>	<b>9,782,557</b>
<b>Liabilities</b>			
Accounts payable	71,078	-	71,078
Salaries and benefits payable	360,323	-	360,323
Accrued interest payable	36,695	-	36,695
Deferred revenue:			
Succeeding year property tax	1,761,000	-	1,761,000
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	50,235	-	50,235
Bonds payable	190,000	-	190,000
Notes payable	80,000	-	80,000
Compensated absences	2,523	-	2,523
Portion due after one year:			
Early retirement	123,884	-	123,884
Bonds payable	3,975,000	-	3,975,000
Notes payable	160,000	-	160,000
<b>Total liabilities</b>	<b>6,810,738</b>	<b>-</b>	<b>6,810,738</b>

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 1,893,404	\$ 18,022	\$ 1,911,426
Restricted for:			
Physical plant and equipment levy	127,860	-	127,860
Other special revenue purposes	47,362	-	47,362
Capital projects	353,522	-	353,522
Unrestricted	<u>507,420</u>	<u>24,229</u>	<u>531,649</u>
Total net assets	<u>\$ 2,929,568</u>	<u>\$ 42,251</u>	<u>\$ 2,971,819</u>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 1,919,941	\$ 253,573	\$ 205,089	\$ -
Special instruction	332,280	60,801	41,443	-
Other instruction	396,422	121,527	19,996	-
	<u>2,648,643</u>	<u>435,901</u>	<u>266,528</u>	<u>-</u>
Support services:				
Student services	130,739	-	-	-
Instructional staff services	279,129	3,764	-	-
Administration services	529,596	-	-	-
Operation and maintenance of plant services	377,973	-	-	-
Transportation services	178,311	-	3,629	-
	<u>1,495,748</u>	<u>3,764</u>	<u>3,629</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	218,168	-	-	93,912
Long-term debt interest and fiscal charges	238,263	-	-	-
AEA flowthrough	137,762	-	137,762	-
Depreciation (unallocated) *	182,307	-	-	-
	<u>776,500</u>	<u>-</u>	<u>137,762</u>	<u>93,912</u>
Total governmental activities	4,920,891	439,665	407,919	93,912
<b>Business-Type Activities:</b>				
Non-instructional programs:				
Food service operations	<u>176,563</u>	<u>140,455</u>	<u>43,762</u>	<u>-</u>
Total	<u>\$ 5,097,454</u>	<u>\$ 580,120</u>	<u>\$ 451,681</u>	<u>\$ 93,912</u>

Net (Expense) Revenue  
and Changes in Net Assets

---

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,461,279)	\$ -	\$ (1,461,279)
(230,036)	-	(230,036)
(254,899)	-	(254,899)
<u>(1,946,214)</u>	<u>-</u>	<u>(1,946,214)</u>
(130,739)	-	(130,739)
(275,365)	-	(275,365)
(529,596)	-	(529,596)
(377,973)	-	(377,973)
(174,682)	-	(174,682)
<u>(1,488,355)</u>	<u>-</u>	<u>(1,488,355)</u>
(124,256)	-	(124,256)
(238,263)	-	(238,263)
-	-	-
(182,307)	-	(182,307)
<u>(544,826)</u>	<u>-</u>	<u>(544,826)</u>
(3,979,395)	-	(3,979,395)
-	7,654	7,654
<u>(3,979,395)</u>	<u>7,654</u>	<u>(3,971,741)</u>

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

---

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Total</u>
\$	1,310,947	\$ -	\$	1,310,947
	413,246	-		413,246
	194,449	-		194,449
	178,091	-		178,091
	290,890	-		290,890
	1,640,926	-		1,640,926
	20,403	216		20,619
	61,885	-		61,885
	<hr/> 4,110,837	216		<hr/> 4,111,053
	131,442	7,870		139,312
	<hr/> 2,798,126	34,381		<hr/> 2,832,507
\$	<u><u>2,929,568</u></u>	<u><u>42,251</u></u>	\$	<u><u>2,971,819</u></u>

## VAN METER COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	\$ 835,746	\$ 18,870	\$ 292,563	\$ 172,960	\$ 1,320,139
Receivables:					
Property tax:					
Current year	6,931	2,327	-	1,669	10,927
Succeeding year	1,089,000	374,000	-	298,000	1,761,000
Income surtax	178,004	-	-	-	178,004
Accrued interest	1,133	-	-	660	1,793
Due from other governments	17,790	-	60,959	91,290	170,039
<b>Total assets</b>	<b>\$ 2,128,604</b>	<b>\$ 395,197</b>	<b>\$ 353,522</b>	<b>\$ 564,579</b>	<b>\$ 3,441,902</b>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 37,467	\$ -	\$ -	\$ 33,611	\$ 71,078
Salaries and benefits payable	360,323	-	-	-	360,323
Deferred revenue:					
Succeeding year property tax	1,089,000	374,000	-	298,000	1,761,000
Other	178,004	-	-	-	178,004
<b>Total liabilities</b>	<b>1,664,794</b>	<b>374,000</b>	<b>-</b>	<b>331,611</b>	<b>2,370,405</b>
Fund balance:					
Reserved for:					
Debt service	-	21,197	-	-	21,197
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	232,968	232,968
Undesignated	463,810	-	353,522	-	817,332
<b>Total fund balances</b>	<b>463,810</b>	<b>21,197</b>	<b>353,522</b>	<b>232,968</b>	<b>1,071,497</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,128,604</b>	<b>\$ 395,197</b>	<b>\$ 353,522</b>	<b>\$ 564,579</b>	<b>\$ 3,441,902</b>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2005

Total fund balances of governmental funds	\$ 1,071,497
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,298,404
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	178,004
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.	(36,695)
Long-term liabilities, including early retirement, bonds payable, notes payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,581,642)</u>
Net assets of governmental activities	<u>\$ 2,929,568</u>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,388,313	\$ 413,246	\$ 290,890	\$ 295,289	\$ 2,387,738
Tuition	300,265	-	-	-	300,265
Other	85,713	-	344	135,630	221,687
State sources	1,930,724	-	-	10,740	1,941,464
Federal sources	118,121	-	-	83,172	201,293
Total revenues	<u>3,823,136</u>	<u>413,246</u>	<u>291,234</u>	<u>524,831</u>	<u>5,052,447</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,835,616	-	-	108,720	1,944,336
Special instruction	329,964	-	-	-	329,964
Other instruction	277,796	-	-	118,626	396,422
	<u>2,443,376</u>	<u>-</u>	<u>-</u>	<u>227,346</u>	<u>2,670,722</u>
Support services:					
Student services	130,739	-	-	-	130,739
Instructional staff services	279,129	-	-	-	279,129
Administration services	522,570	-	-	8,667	531,237
Operation and maintenance of plant services	370,932	-	-	-	370,932
Transportation services	185,319	-	-	-	185,319
	<u>1,488,689</u>	<u>-</u>	<u>-</u>	<u>8,667</u>	<u>1,497,356</u>
Other expenditures:					
Facilities acquisition	-	-	-	301,395	301,395
Long term debt:					
Principal	-	255,000	-	-	255,000
Interest and fiscal charges	-	239,631	-	-	239,631
AEA flowthrough	137,762	-	-	-	137,762
	<u>137,762</u>	<u>494,631</u>	<u>-</u>	<u>301,395</u>	<u>933,788</u>
Total expenditures	<u>4,069,827</u>	<u>494,631</u>	<u>-</u>	<u>537,408</u>	<u>5,101,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(246,691)</u>	<u>(81,385)</u>	<u>291,234</u>	<u>(12,577)</u>	<u>(49,419)</u>

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):					
Interfund transfers in	\$ -	\$ 83,848	\$ -	\$ -	\$ 83,848
Interfund transfers out	-	-	-	(83,848)	(83,848)
Total other financing sources (uses)	-	83,848	-	(83,848)	-
Net change in fund balances	(246,691)	2,463	291,234	(96,425)	(49,419)
Fund balances beginning of year	710,501	18,734	62,288	329,393	1,120,916
Fund balances end of year	<u>\$ 463,810</u>	<u>\$ 21,197</u>	<u>\$ 353,522</u>	<u>\$ 232,968</u>	<u>\$ 1,071,497</u>

See notes to financial statements.

## VAN METER COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (49,419)

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

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

	Capital outlays	\$ 112,331	
	Depreciation expense	<u>(219,690)</u>	(107,359)

Certain income surtax not received until several months after the District's  
fiscal year ends is not considered available revenue in the governmental  
funds and is deferred. It is, however, recorded as revenue in the  
statement of activities. (114)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the statement of net assets. 255,000

Interest on long-term debt in the statement of activities differs from the  
amount reported in the governmental funds because interest is recorded as  
an expenditure in the funds when due. In the statement of activities,  
however, interest expense is recognized as the interest accrues, regardless  
of when it is due. 1,368

Some expenses reported in the statement of activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in governmental funds. 31,966

Change in net assets of governmental activities \$ 131,442

See notes to financial statements.

## VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUND

June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 18,773
Receivables:	
Accrued interest	25
Accounts receivable	2,428
Inventories	3,003
Capital assets, net of accumulated depreciation (note 4)	<u>18,022</u>
Total assets	<u>42,251</u>
Liabilities	
None	<u>-</u>
Net Assets	
Invested in capital assets, net of related debt	18,022
Unrestricted	<u>24,229</u>
Total net assets	<u>\$ 42,251</u>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>140,455</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	55,542
Benefits	16,180
Purchased services	2,329
Supplies	99,072
Depreciation	<u>3,440</u>
	<u>176,563</u>
Operating loss	<u>(36,108)</u>
Non-operating revenues:	
Interest on investments	216
State sources	2,875
Federal sources	<u>40,887</u>
Total non-operating revenues	<u>43,978</u>
Change in net assets	7,870
Net assets beginning of year	<u>34,381</u>
Net assets end of year	\$ <u><u>42,251</u></u>

See notes to financial statements.

## VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 133,520
Cash received from miscellaneous operating activities	4,506
Cash payments to employees for services	(71,722)
Cash payments to suppliers for goods or services	<u>(96,703)</u>
Net cash used in operating activities	<u>(30,399)</u>
Cash flows from non-capital financing activities:	
State grants received	2,875
Federal grants received	<u>36,323</u>
Net cash provided by non-capital financing activities	<u>39,198</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,231)</u>
Cash flows from investing activities:	
Interest on investments	<u>192</u>
Net increase in cash and cash equivalents	7,760
Cash and cash equivalents beginning of year	<u>11,013</u>
Cash and cash equivalents end of year	\$ <u><u>18,773</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (36,108)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,440
Commodities used	4,941
(Increase) in accounts receivable	(2,428)
(Increase) in inventories	<u>(244)</u>
Net cash used in operating activities	\$ <u><u>(30,399)</u></u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2005, the District received \$4,941 of federal commodities.	

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2005

	<u>Agency</u>
Assets:	
Due from other governments	\$ <u>16,645</u>
Liabilities:	
Due to other governments	\$ <u>16,645</u>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following non-major proprietary fund:

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

VAN METER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

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

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

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

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

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the four functional areas.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

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

	Amortized Cost
Diversified Portfolio	\$ 886,583

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

Interest rate risk – The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ 83,848

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 211,025	\$ -	\$ -	\$ 211,025
Construction in progress	-	72,518	-	72,518
Total capital assets not being depreciated	<u>211,025</u>	<u>72,518</u>	<u>-</u>	<u>283,543</u>
Capital assets being depreciated:				
Buildings	7,412,270	-	-	7,412,270
Furniture and equipment	697,914	39,813	65,000	672,727
Total capital assets being depreciated	<u>8,110,184</u>	<u>39,813</u>	<u>65,000</u>	<u>8,084,997</u>
Less accumulated depreciation for:				
Buildings	1,439,777	182,307	-	1,622,084
Furniture and equipment	475,669	37,383	65,000	448,052
Total accumulated depreciation	<u>1,915,446</u>	<u>219,690</u>	<u>65,000</u>	<u>2,070,136</u>
Total capital assets being depreciated, net	<u>6,194,738</u>	<u>(179,877)</u>	<u>-</u>	<u>6,014,861</u>
Governmental activities capital assets, net	<u>\$ 6,405,763</u>	<u>\$ (107,359)</u>	<u>\$ -</u>	<u>\$ 6,298,404</u>

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 78,728	\$ 1,231	\$ -	\$ 79,959
Less accumulated depreciation	<u>58,497</u>	<u>3,440</u>	<u>-</u>	<u>61,937</u>
Business-type activities capital assets, net	<u>\$ 20,231</u>	<u>\$ (2,209)</u>	<u>\$ -</u>	<u>\$ 18,022</u>

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

Governmental activities:

    Instruction:

        Regular

\$ 5,930

        Special

2,316

    Support services:

        Operation and maintenance of plant services

7,041

        Transportation

22,096

37,383

Unallocated depreciation

182,307

Total governmental activities depreciation expense

\$ 219,690

Business-type activities:

    Food service operations

\$ 3,440

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	<u>Early Retirement</u>	<u>General Obligation Bonds</u>	<u>Capital Loan Note</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 204,444	\$ 4,345,000	\$ 315,000	\$ 4,164	\$ 4,868,608
Additions	43,584	-	-	2,523	46,107
Reductions	73,909	180,000	75,000	4,164	333,073
Balance end of year	<u>\$ 174,119</u>	<u>\$ 4,165,000</u>	<u>\$ 240,000</u>	<u>\$ 2,523</u>	<u>\$ 4,581,642</u>
Due within one year	<u>\$ 50,235</u>	<u>\$ 190,000</u>	<u>\$ 80,000</u>	<u>\$ 2,523</u>	<u>\$ 322,758</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five. Classified employees must have completed ten years of continuous service to the District. Certified employees must have completed ten years of service to the District but the time does not have to be continuous. The early retirement incentive for certified employees will be supplemental pay of ninety days at the per diem rate of the employee's current base salary plus redemption of unused sick leave days at 10% of the per diem rate. The District will also continue furnishing single policy medical insurance for retirees at the same monthly rate in effect at the time of sick days at a rate of \$30 per day, up to a maximum of 165 days. Classified employees may also retain the District's group insurance policy but must pay the monthly premium on the policy. All employees must complete an application which is required to be approved by the Board of Education. The District paid \$73,909 in early retirement benefits during the year ended June 30, 2005.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Long-Term Liabilities (continued)

Bonds Payable

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

Year Ending June 30,	Bond Issue of November 1, 2000			Bond Issue of February 1, 1999			Total	
	Interest Rate	Interest	Principal	Interest Rate	Interest	Principal	Interest	Principal
2006	6.250 %	\$ 205,304	\$ 75,000	4.00 %	\$ 16,215	\$ 115,000	\$ 221,519	\$ 190,000
2007	6.250	200,616	85,000	4.00	11,615	115,000	212,231	200,000
2008	6.250	195,304	85,000	4.10	7,015	125,000	202,319	210,000
2009	6.250	189,991	175,000	4.20	1,890	45,000	191,881	220,000
2010	6.250	179,054	230,000	-	-	-	179,054	230,000
2011	5.000	164,679	245,000	-	-	-	164,679	245,000
2012	5.100	152,429	255,000	-	-	-	152,429	255,000
2013	5.200	139,424	270,000	-	-	-	139,424	270,000
2014	5.250	125,384	285,000	-	-	-	125,384	285,000
2015	5.300	110,421	300,000	-	-	-	110,421	300,000
2016	5.350	94,521	315,000	-	-	-	94,521	315,000
2017	5.375	77,669	335,000	-	-	-	77,669	335,000
2018	5.375	59,662	350,000	-	-	-	59,662	350,000
2019	5.375	40,850	370,000	-	-	-	40,850	370,000
2020	5.375	20,962	390,000	-	-	-	20,962	390,000
Total		\$ <u>1,956,270</u>	\$ <u>3,765,000</u>		\$ <u>36,735</u>	\$ <u>400,000</u>	\$ <u>1,993,005</u>	\$ <u>4,165,000</u>

During the year ended June 30, 2005, the District retired \$180,000 in general obligation bonds.

Capital Loan Note

Details of the District's June 30, 2005 capital loan note indebtedness are as follows:

Maturity	Interest Rate	Interest	Principal
May 1 ,2006	2.55 %	\$ 6,760	\$ 80,000
May 1 ,2007	2.80	4,720	80,000
May 1 ,2008	3.10	2,480	80,000
		\$ <u>13,960</u>	\$ <u>240,000</u>

During the year ended June 30, 2005, the District retired \$75,000 in capital loan notes.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$133,954, \$129,172, and \$128,163 respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$19,520.

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

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

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$137,762 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.

Note 9. Construction Commitments

The District entered into various contracts totaling \$204,964 for building renovations. The District also had carryover projects totaling \$135,260, including change orders. At June 30, 2005 \$140,572 of the contracts were completed and paid, \$33,603 was recorded in accounts payable, and the remainder of the contracts will be paid as work on the projects progresses.

This page intentionally left blank

Required Supplementary Information

VAN METER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds  
 and Proprietary Fund  
 Required Supplementary Information  
 Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>RECEIPTS:</b>						
Local sources	\$ 2,877,318	\$ 138,218	\$ 3,015,536	\$ 3,149,282	\$ 3,149,282	\$ (133,746)
Intermediate sources	-	-	-	3,200	3,200	(3,200)
State sources	1,930,721	2,875	1,933,596	2,194,943	2,194,943	(261,347)
Federal sources	120,794	41,264	162,058	142,500	142,500	19,558
<b>Total receipts</b>	<b>4,928,833</b>	<b>182,357</b>	<b>5,111,190</b>	<b>5,489,925</b>	<b>5,489,925</b>	<b>(378,735)</b>
<b>DISBURSEMENTS:</b>						
Instruction	2,625,164	-	2,625,164	3,662,058	3,662,058	1,036,894
Support services	1,492,947	-	1,492,947	1,804,054	1,804,054	311,107
Non-instructional programs	-	174,597	174,597	252,302	252,302	77,705
Other expenditures	907,223	-	907,223	981,808	1,206,808	299,585
<b>Total disbursements</b>	<b>5,025,334</b>	<b>174,597</b>	<b>5,199,931</b>	<b>6,700,222</b>	<b>6,925,222</b>	<b>1,725,291</b>
Excess (deficiency) of receipts over (under) disbursements	(96,501)	7,760	(88,741)	(1,210,297)	(1,435,297)	1,346,556
Other financing sources, net	-	-	-	3	3	(3)
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(96,501)	7,760	(88,741)	(1,210,294)	(1,435,294)	1,346,553
Balance beginning of year	1,416,640	11,013	1,427,653	1,342,804	1,342,804	84,849
Balance end of year	<u>\$ 1,320,139</u>	<u>\$ 18,773</u>	<u>\$ 1,338,912</u>	<u>\$ 132,510</u>	<u>\$ (92,490)</u>	<u>\$ 1,431,402</u>

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 4,928,833	\$ 123,614	\$ 5,052,447
Expenditures	5,025,334	76,532	5,101,866
Net	(96,501)	47,082	(49,419)
Beginning fund balances	1,416,640	(295,724)	1,120,916
Ending fund balances	<u>\$ 1,320,139</u>	<u>\$ (248,642)</u>	<u>\$ 1,071,497</u>
	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 182,357	\$ 2,076	\$ 184,433
Expenses	174,597	1,966	176,563
Net	7,760	110	7,870
Beginning net assets	11,013	23,368	34,381
Ending net assets	<u>\$ 18,773</u>	<u>\$ 23,478</u>	<u>\$ 42,251</u>

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$225,000.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the four functional areas.

Other Supplementary Information

## VAN METER COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2005

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 57,170	\$ 47,350	\$ 68,440	\$ 172,960
Receivables:				
Property tax:				
Current year	576	-	1,093	1,669
Succeeding year	118,000	-	180,000	298,000
Accrued interest	-	19	641	660
Due from other governments	-	-	91,290	91,290
Total assets	\$ 175,746	\$ 47,369	\$ 341,464	\$ 564,579
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 7	\$ 33,604	\$ 33,611
Deferred revenue:				
Succeeding year property tax	118,000	-	180,000	298,000
Total liabilities	118,000	7	213,604	331,611
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	57,746	47,362	127,860	232,968
Total liabilities and fund equity	\$ 175,746	\$ 47,369	\$ 341,464	\$ 564,579

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2005

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 100,840	\$ -	\$ 194,449	\$ 295,289
Other	7,628	121,679	6,323	135,630
State sources	-	-	10,740	10,740
Federal sources	-	-	83,172	83,172
Total revenues	<u>108,468</u>	<u>121,679</u>	<u>294,684</u>	<u>524,831</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	108,720	-	-	108,720
Other instruction	-	118,626	-	118,626
Support services:				
Administration services	8,667	-	-	8,667
Other expenditures:				
Facilities acquisition	-	-	301,395	301,395
Total expenditures	<u>117,387</u>	<u>118,626</u>	<u>301,395</u>	<u>537,408</u>
Excess (deficiency) of revenues over (under) expenditures	(8,919)	3,053	(6,711)	(12,577)
Other financing uses:				
Interfund transfers out	-	-	(83,848)	(83,848)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(8,919)	3,053	(90,559)	(96,425)
Fund balances beginning of year	<u>66,665</u>	<u>44,309</u>	<u>218,419</u>	<u>329,393</u>
Fund balances end of year	<u>\$ 57,746</u>	<u>\$ 47,362</u>	<u>\$ 127,860</u>	<u>\$ 232,968</u>

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Achievement Junior	\$ 80	\$ -	\$ -	80
Annual	4,910	6,511	8,653	2,768
Athletics	4,869	46,319	40,212	10,976
Baseball	924	3,475	4,568	(169)
Basketball - Boys	541	2,095	2,137	499
Basketball - Girls	922	2,285	1,565	1,642
Book Fair	1,894	7,349	7,582	1,661
Book Tournament	(9)	160	64	87
Boxtops for Education	711	1,302	1,285	728
Cap and Gown	338	540	-	878
Class of 2002	92	-	-	92
Class of 2003	(75)	-	-	(75)
Class of 2004	38	-	-	38
Class of 2005	184	-	464	(280)
Class of 2006	2,085	3,215	5,245	55
Class of 2007	1,858	-	-	1,858
Class of 2008	2,742	-	-	2,742
Class of 2009	644	2,132	1,615	1,161
Class of 2010	-	7,811	4,777	3,034
Computer	-	-	-	-
Dance Squad	11	5,537	4,595	953
Dawson Memorial	-	700	-	700
District Football	-	-	740	(740)
District Music	-	296	140	156
Drama	1,098	1,337	1,006	1,429
Elementary Music - Resale	(290)	216	86	(160)
Elementary Science Club	(13)	310	1,061	(764)
Elementary Yearbook	286	969	898	357
Fieldtrips	290	983	1,001	272
Football	1,002	7,762	6,324	2,440
Golf	-	2,852	5,453	(2,601)
Graduates	97	-	-	97
Heart Association	278	148	193	233
Interest - Checking	6,282	9	-	6,291
Interest Public Funds	1,558	142	1,217	483
Junior High Senate	144	-	-	144
Junior High Boys Basketball	5	-	-	5
Junior High Volleyball	(36)	180	180	(36)
National Honor Society	(44)	437	386	7
Pep Club	469	2,843	3,310	2
Pottery	780	159	50	889

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Reading Incentive	\$ 405	\$ -	\$ -	405
Reading Night	120	-	-	120
Softball	738	4,226	5,499	(535)
Spanish Club	26	360	43	343
Steele Memorial	75	-	-	75
Student Council	2,983	3,367	2,719	3,631
Student Pictures	941	1,726	1,821	846
Summer Recreation	1,024	-	-	1,024
Technology Club	344	-	-	344
Track - Boys	838	36	342	532
Track - Girls	383	520	-	903
Track - JH Boys	6	353	-	359
Track - JH Girls	45	-	85	(40)
Tree Project	18	-	-	18
Volleyball	548	3,017	3,149	416
Wallace Summer Program	1,150	-	161	989
	<u>1,150</u>	<u>-</u>	<u>161</u>	<u>989</u>
Total	\$ <u>44,309</u>	\$ <u>121,679</u>	\$ <u>118,626</u>	\$ <u>47,362</u>

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2005

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ -	\$ 79,908	\$ 79,908	\$ -
Due from other governments	-	16,645	-	16,645
Total assets	<u>\$ -</u>	<u>\$ 96,553</u>	<u>\$ 79,908</u>	<u>\$ 16,645</u>
Liabilities				
Due to other governments	<u>\$ -</u>	<u>\$ 96,553</u>	<u>\$ 79,908</u>	<u>\$ 16,645</u>

See accompanying independent auditor's report.

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

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,387,738	\$ 2,206,697	\$ 1,983,695	\$ 1,944,651
Tuition	300,265	296,314	250,607	208,862
Other	221,687	205,726	729,934	446,745
Intermediate sources	-	-	3,060	495
State sources	1,941,464	1,927,381	1,972,285	2,418,447
Federal sources	201,293	222,650	173,202	41,219
	<u>\$ 5,052,447</u>	<u>\$ 4,858,768</u>	<u>\$ 5,112,783</u>	<u>\$ 5,060,419</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,944,336	\$ 1,830,957	\$ 1,942,989	\$ 1,866,531
Special instruction	329,964	423,683	271,976	272,815
Other instruction	396,422	262,154	388,643	397,119
Support services:				
Student services	130,739	119,489	125,077	120,630
Instructional staff services	279,129	232,053	211,721	221,291
Administration services	531,237	489,930	454,189	452,291
Operation and maintenance of plant services	370,932	304,050	280,500	261,447
Transportation services	185,319	108,451	101,224	115,376
Other expenditures:				
Facilities acquisition	301,395	248,412	1,866,240	3,071,693
Long-term debt:				
Principal	255,000	250,000	165,000	160,000
Interest and fiscal charges	239,631	249,397	251,256	254,361
AEA flowthrough	137,762	140,786	149,462	140,440
	<u>\$ 5,101,866</u>	<u>\$ 4,659,362</u>	<u>\$ 6,208,277</u>	<u>\$ 7,333,994</u>

See accompanying independent auditor's report.

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  
Van Meter 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 Meter 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 August 18, 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 Meter Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide 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 I of the accompanying Schedule of Findings.

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 I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Meter 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Van Meter Community School 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 Meter Community School District and other parties to whom Van Meter 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 Meter Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
August 18, 2005

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

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

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-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. The receipt and deposit of monies and the posting of cash receipts and bank reconciliations can be done by the same person.

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

Response – We will consider this.

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

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, did not exceed the amount budgeted in any of the four functional areas.
- II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-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.
- II-E-05 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Gene Gabus, Board Vice President Owner of Des Moines Chrysler Plymouth	Special education van	\$19,204

The transaction with Board Vice President Gabus does not appear to represent a conflict of interest since the transaction resulted in less than \$2,500 personal financial gain as allowed by Chapter 279.7A of the Code of Iowa.

- II-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.
- II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-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.

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

II-K-05 School Nutrition Program – We noted that the District records all revenues for sales of lunches and breakfasts under one account number. The State of Iowa requires all Districts to track sales of reimbursable lunches and breakfasts separately.

Recommendation – The District should establish separate revenue accounts for reimbursable lunches, breakfasts and milk sales, as well as for sales of second lunches and adult meal sales.

Response – We have now established these revenue accounts and will properly track all meal revenues as required.

Conclusion – Response accepted.

II-L-05 Federal Grant Accounting – We noted that the District coded some federal grant receipts to miscellaneous local revenue. In addition, not all Federal grant expenditures were properly assigned a Federal program expenditure code.

Recommendation – The District should assign a federal revenue and expenditure code to all federal grants received and expended. Each state and federal grant has a preassigned code for tracking purposes which should be used for each grant.

Response – We will establish the proper revenue and expenditure accounts required to enable tracking of grant revenues and expenditures through our accounting system.

Conclusion – Response accepted.

This document was created with Win2PDF available at <http://www.win2pdf.com>.  
The unregistered version of Win2PDF is for evaluation or non-commercial use only.