

VAN METER COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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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, the business type activities, each major fund and the aggregate remaining fund information of Van Meter Community School District, Van Meter, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of Van Meter Educational Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the Van Meter Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Van Meter Community School District as of June 30, 2009, 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 reports dated January 18, 2010 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, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 13 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Van Meter Community School District's basic financial statements. The financial statements for the five years ended June 30, 2009, (which are not presented herein) were audited by other auditors who 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

January 18, 2010

Van Meter Community School District

Management Discussion and Analysis

For the Year Ending June 30, 2009

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, 2009. 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 slightly decreased from \$300,591 in 2008 to \$271,478 in 2009. Part of this decline was due to an unexpected, mid-year state budget cut of approximately \$40,000. Because of this shortage in state funding, the District was forced to use part of its reserve funds.
- The District's total general fund revenues in 2009 were \$5,440,056, an increase of 13% from 2008 revenues. This increase is primarily due to the District's budget enrollment increasing by 39.5 students, which results in an increase in state funding. However, as noted above, the State cut funding mid-year, so even though State revenues increased, they were still lower than expected. Property tax receipts also increased due to an 8% increase in the District's taxable valuations. However, the District's 5% income surtax was down, coming in at \$210,000 rather than the anticipated \$240,000.
- The District's total general fund expenditures were \$5,469,169 in 2009, an increase from \$5,045,926 in 2008. This 9% increase in expenses is primarily due to negotiated salary and benefits and an increase in restricted grant expenditures.

Using This Annual Report

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.
Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

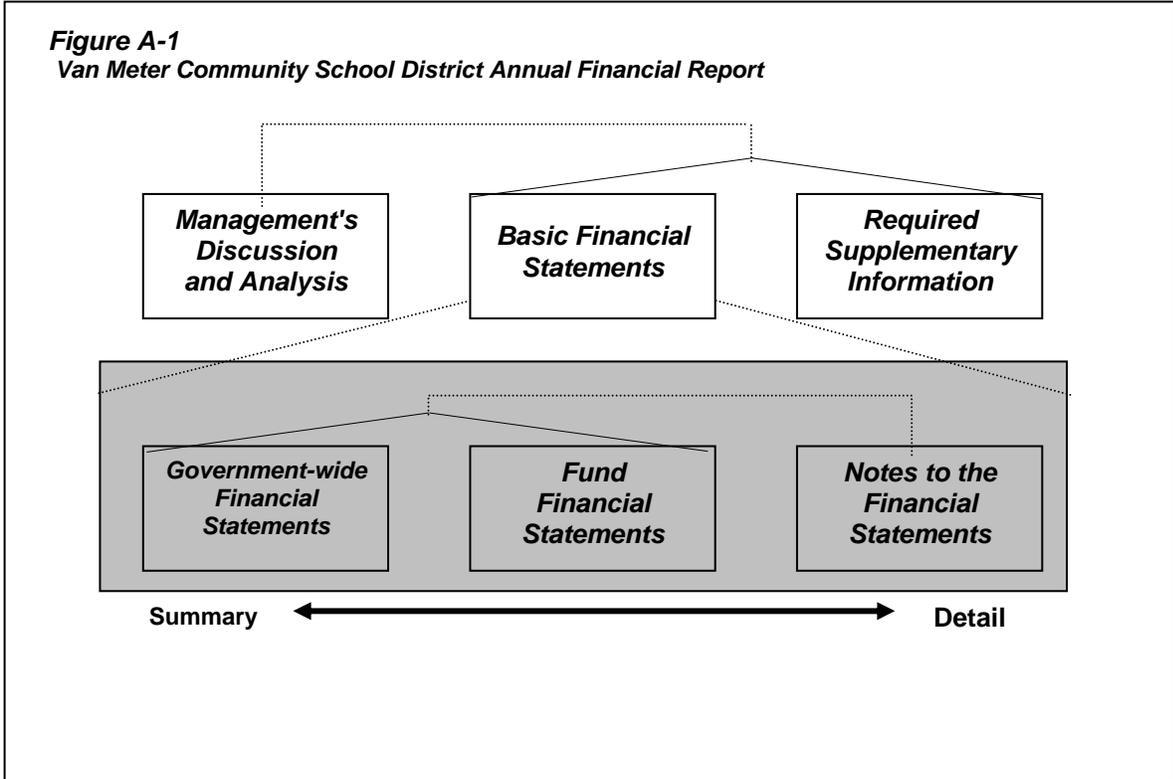


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

Reporting The District’s Financial Activities

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District does not currently have any of these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.
- The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The only fiduciary fund for the District is the twenty-five percent of 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.

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

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

Government-Wide Financial Analysis

Condensed Statement of Net Assets – Figure A-3 below provides a comparison of the District’s net assets for the year ending June 30, 2009 as compared to the prior year (2008).

Summary of Net Assets Figure A-3
June 30, 2009

	Governmental Activities		Business-Type Activities		Totals		% Change
	2009	2008	2009	2008	2009	2008	
Current and Other Assets	\$ 8,641,708	\$ 7,708,671	\$ 5,996	\$ 14,096	\$ 8,647,704	\$ 7,722,767	12%
<u>Capital Assets</u>	<u>\$ 8,178,550</u>	<u>\$ 6,953,809</u>	<u>\$ 11,439</u>	<u>\$ 12,984</u>	<u>\$ 8,189,989</u>	<u>\$ 6,966,793</u>	18%
Total Assets	\$ 16,820,258	\$ 14,662,480	\$ 17,435	\$ 27,080	\$ 16,837,693	\$ 14,689,560	15%
Current Liabilities	\$ 4,591,991	\$ 3,227,351	\$ 11,863	\$ 10,188	\$ 4,603,854	\$ 3,237,539	42%
<u>Long Term Liabilities</u>	<u>\$ 7,364,544</u>	<u>\$ 6,878,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,364,544</u>	<u>\$ 6,878,677</u>	7%
Total Liabilities	\$ 11,956,535	\$ 10,106,028	\$ 11,863	\$ 10,188	\$ 11,968,398	\$ 10,116,216	18%
Net Assets							
Invested in Capital Assets, (net of related debt)	\$ 4,170,374	\$ 3,281,163	\$ 11,439	\$ 12,984	\$ 4,181,813	\$ 3,294,147	27%
Restricted for:							
Categorical Funding	\$ 19,894	\$ 16,516			\$ 19,894	\$ 16,516	20%
PPEL	\$ 102,257	\$ 134,298		\$ -	\$ 102,257	\$ 134,298	-24%
Other Special Revenue	\$ 64,191	\$ 82,465		\$ -	\$ 64,191	\$ 82,465	-22%
Capital Projects	\$ 138,825	\$ 550,594		\$ -	\$ 138,825	\$ 550,594	-75%
Unrestricted	\$ 368,182	\$ 491,416	\$ (5,867)	\$ 3,908	\$ 362,315	\$ 495,324	-27%
Total Net Assets	\$ 4,863,723	\$ 4,556,452	\$ 5,572	\$ 16,892	\$ 4,869,295	\$ 4,573,344	6%

Overall, the District’s total net assets increased slightly between years, increasing by 6%. The largest portion of the District’s net assets is the ‘invested in capital assets’ category (e.g. land, infrastructure, buildings, and equipment) which increased by 27%. This increase is primarily due to the District completing a music room addition as well as the District entering into a lease agreement of approximately \$590,000 to purchase laptop computers for all students in grades seven through twelve (about 350 computers).

Overall, total liabilities increased by 18%, in part due to the lease agreement for laptops as mentioned above, as well as the District entering into a lease for the purchase of additional buses.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets decreased, specifically in PPEL and Capital Assets by nearly \$440,000 due to the District spending these designated funds on infrastructure, buses, and technology equipment.

Despite the increase to overall total assets, current assets within the business-type activities (school nutrition fund) actually decreased by approximately \$11,000. This decrease is due to a decline in cash and investments on hand at year end due to this fund having a decline in net assets of just over \$8,000.

Changes in Net Assets

Figure A-4 below is a comparison in the changes to the District's net assets between 2008 and 2009.

**Change in District's Net Assets
June 30, 2009**

Figure A-4

	Governmental Activities		Business-Type Activities		Totals		% Change
	2009	2008	2009	2008	2009	2008	
Revenues							-
Program Revenues							
Charges for Services	\$ 620,573	\$ 628,001	\$ 163,260	\$ 147,333	\$ 783,833	\$ 775,334	1.10%
Operating Grants, Contributions and Restricted Interest	\$ 941,358	\$ 639,702	\$ 61,028	\$ 60,593	\$ 1,002,386	\$ 700,295	43.14%
Capital Grants and Contributions	\$ 15,000	\$ 12,500			\$ 15,000	\$ 12,500	20.00%
General Revenues					\$ -		
Property Taxes	\$ 2,450,007	\$ 2,245,622			\$ 2,450,007	\$ 2,245,622	9.10%
Local Option Sales and Service Tax	\$ 386,551	\$ 389,149			\$ 386,551	\$ 389,149	-0.67%
Income Surtax	\$ 193,371	\$ 265,839			\$ 193,371	\$ 265,839	-27.26%
State Grants (non-restricted)	\$ 2,245,043	\$ 1,988,327			\$ 2,245,043	\$ 1,988,327	12.91%
Other	\$ 72,700	\$ 203,607	\$ 82	\$ 913	\$ 72,782	\$ 204,520	-64.41%
Total Revenues	\$ 6,924,603	\$ 6,372,747	\$ 224,370	\$ 208,839	\$ 7,148,973	\$ 6,581,586	8.62%
Expenses							
Instruction Related	\$ 3,784,148	\$ 3,384,458			\$ 3,784,148	\$ 3,384,458	11.81%
Student and Instructional Services	\$ 382,771	\$ 370,144			\$ 382,771	\$ 370,144	3.41%
Administration Services	\$ 857,603	\$ 714,759			\$ 857,603	\$ 714,759	19.98%
Plant Operation	\$ 492,727	\$ 433,730			\$ 492,727	\$ 433,730	13.60%
Transportation Services	\$ 279,509	\$ 222,761			\$ 279,509	\$ 222,761	25.47%
Other	\$ 816,823	\$ 719,907	\$ 239,441	\$ 229,838	\$ 1,056,264	\$ 949,745	11.22%
Total Expenses	\$ 6,613,581	\$ 5,845,759	\$ 239,441	\$ 229,838	\$ 6,853,022	\$ 6,075,597	12.80%
					\$ -		
Change in Net Assets Before Transfers	\$ 311,022	\$ 526,988	\$ (15,071)	\$ (20,999)	\$ 295,951	\$ 505,989	-41.51%
Transfers	\$ (3,751)	\$ -	\$ 3,751	\$ -	\$ -	\$ -	100.00%
CHANGE IN NET ASSETS	\$ 307,271	\$ 526,988	\$ (11,320)	\$ (20,999)	\$ 295,951	\$ 505,989	-41.51%
Net Assets Beginning of the Year	\$ 4,556,452	\$ 4,029,464	\$ 16,892	\$ 37,891	\$ 4,573,344	\$ 4,067,355	12.44%
Net Assets End of the Year	\$ 4,863,723	\$ 4,556,452	\$ 5,572	\$ 16,892	\$ 4,869,295	\$ 4,573,344	6.47%

As shown above, total revenues increased by just over \$567,000, an increase of 8.62% between 2008 and 2009. Over \$200,000 of this increase was due to an increase in property taxes receipts. This is a result of property valuations increasing by nearly 8% and the District keeping the overall tax rate steady. State grants also increased by over \$250,000 in part due to the State of Iowa increasing their funding to schools by 4% and the District's enrollment increasing by 39 students.

Expenses increased by over \$770,000, which is a 12.80% increase between years. Over 50% of this increase in expenses is in the instructional area. The majority of this expense is related to teaching salaries and benefits. All staff received a 3.45% increase to the salary/benefit package in 2009.

In Business-Type Activities (School Nutrition Fund), charges for services from students increased by approximately \$16,000 in 2009 due to an increase in lunch prices and more students in the building eating school lunches. Expenses in this category increased about \$10,000 between years. While revenues increased at a slightly higher pace than expenses in 2009, it still left the overall change in net assets in this category with a negative \$15,000, before a general fund transfer of \$3,751.

Governmental Activities

Figure A-5 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-5**
June 30, 2009

	2009			2008		
	Expenses	Revenues	Net	Expenses	Revenues	Net
Instruction Related	\$ 3,784,148	\$1,222,513	\$2,561,635	\$ 3,384,458	\$ 1,032,760	\$2,351,698
Student and Instructional Services	\$ 382,771	\$ -	\$ 382,771	\$ 370,144	\$ 35,525	\$ 334,619
Administration Services	\$ 857,603	\$ -	\$ 857,603	\$ 714,759	\$ -	\$ 714,759
Plant Operation	\$ 492,727	\$ 5,323	\$ 487,404	\$ 433,730	\$ 9,283	\$ 424,447
Transportation Services	\$ 279,509	\$ 9,317	\$ 270,192	\$ 222,761	\$ 12,397	\$ 210,364
Non-instructional Programs	\$ 3,000	\$ -	\$ 3,000	\$ -	\$ -	\$ -
Other	<u>\$ 813,823</u>	<u>\$ 339,778</u>	<u>\$ 474,045</u>	<u>\$ 719,907</u>	<u>\$ 190,238</u>	<u>\$ 529,669</u>
Total Expenses	\$ 6,613,581	\$1,576,931	\$5,036,650	\$ 5,845,759	\$ 1,280,203	\$4,565,556

- The cost of all governmental activities for 2009 was \$6,613,581. This is an increase of \$767,822, almost 13%, from 2008.
- \$620,573 of the above mentioned cost for 2009 was financed by the users of the District's programs. Federal and state governments subsidized certain programs with grants and contributions totaling \$834,066.
- The majority of the District's net costs of \$5,036,650, however, were financed by District taxpayers and the taxpayers of our state.

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 expenses exceeded revenues by \$15,071 in 2009. The business-type activity did receive a transfer of \$3,751 from governmental activities to make the total change in net assets after transfers, -\$11,320.
- Charges for services represent \$163,260 or 72% of total revenue, while federal and state reimbursement for meals, including payments for free and reduced lunches was \$61,028 or 28% of total revenue in 2009. These percentages shifted slightly from 2008 when charges for services made up only 70% of overall revenues and federal and state reimbursements made up 30% of overall revenues. This is a result in additional meals being served in 2009.
- The 4% increase in operating expenses, is primarily due to the kitchen staff's salaries and benefits package increasing by approximately 3.45%.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,877,260, down from the ending fund balance in 2008 of \$4,312,818. This represents a decrease of approximately 10%. This decrease in the overall fund balances in the governmental funds is primarily a result in the District spending funds from the Physical Plant and Equipment Levy (PPEL) and Capital Projects funds for additional infrastructure and technology needs.

Governmental Fund Highlights:

- The **General Fund** ending balance decreased from \$300,591 in 2008 to \$271,478 in 2009. Enrollment growth and an increase in the District's taxable valuations resulted in increased tax and state grant receipts. However, the increase in revenues was more than offset by the District's increase in general fund expenditures.
- The \$29,000 decline in the General Fund's ending fund balance in 2009 was in part due to an unexpected mid-year State of Iowa across the board state cut of nearly \$40,000, the negotiated salary and benefit settlement, and existing expenditure commitments of the District.
- The **Physical Plant and Equipment Levy (PPEL) Fund** balance decreased from \$134,298 in 2008 to \$102,257 in 2009. This decrease in fund balance is primarily due to the District using PPEL dollars to complete building projects, purchase additional technology, and continue paying on bus leases. The Board of Directors continue to levy the maximum \$1.67/1000 for this fund.
- The **Capital Projects Fund** balance decreased from \$550,594 in 2008 to \$138,825 in 2009. Combined with the PPEL fund, the Capital Projects Fund was also used in 2009 to complete infrastructure projects including a secondary music room addition and the secondary office remodeling project.
- The **Debt Service Fund** ending balance remained consistent, decreasing slightly from \$3,147,496 in 2008 to \$3,144,700 in 2009. 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. \$3,122,139 of the debt service balance are being held in escrow until May 2010 when the November 1, 2000 bonds can be called and refunded.

Proprietary Fund Highlights

- As noted previously, the **Nutrition Fund's** expenses exceeded revenues by \$15,091. After this fund received a transfer from the General Fund, the overall change to net assets from 2008 to 2009 declined by \$11,320. In 2009, the Nutrition Fund's annual change in net assets actually improved by nearly \$6,000 from 2008, but the fund's beginning balance from 2008 to 2009 had declined by \$16,000 coming into the year. Therefore, because this fund's position has been worsening over the last few years, the reserves coming into the beginning of the year are obviously reduced.
- The District plans to keep the positive progress moving forward by continuing to increase lunch prices and offer a variety of foods to increase meals served while maintaining the expenses for both food and salaries.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a 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. In spite of the District's budgetary practice, the District slightly exceeded their certified budget in the instructional area due to the timing of the District entering into a lease with Apple Computers in June 2009 (last month of the fiscal year) for over \$500,000 for over 300 laptops to be used in fiscal year 2010. There was not sufficient time to amend the certified budget once this lease was entered into in June 2009.

A line-item budget is also prepared by Management to monitor expenses and revenues on a monthly basis. District spending decisions are based on the amounts budgeted in attempt to have a positive ending balance each year. The District was materially within budgeted amounts planned for 2009.

Capital Assets

At June 30, 2009, the District had invested a total of \$8,189,989, net of accumulated depreciation, in a broad range of capital assets including buildings, athletic facilities, computers, audio-visual equipment, school nutrition equipment, and transportation equipment. As shown in Figure A-6, capital assets increased by a total of 18%. This is a result of dollars being spent during 2009 in the PPEL and Capital Projects funds to pay for additional building projects and technology equipment. Construction in Progress went down as building projects were completed.

Capital Assets (net of depreciation) Figure A-6

	Governmental Activities		Business-Type Activities		Totals		% Change
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Land	\$ 801,592	\$ 801,592			\$ 801,592	\$ 801,592	0%
Construction in Progress	\$ 92,541	\$ 245,486			\$ 92,541	\$ 245,486	-62%
Buildings and Improvements	\$6,295,311	\$5,546,348			\$6,295,311	\$5,546,348	14%
Equipment	<u>\$ 989,106</u>	<u>\$ 360,383</u>	<u>\$11,439</u>	<u>\$12,984</u>	<u>\$1,000,545</u>	<u>\$ 373,367</u>	<u>168%</u>
Totals	\$8,178,550	\$6,953,809	\$11,439	\$12,984	\$8,189,989	\$6,966,793	18%

Long-Term Debt

At year end, the district had \$7,364,544 in general obligation debt and other long-term debt outstanding. As stated earlier, the District issued \$3,155,000 of general obligation school refunding bonds in 2006 to crossover refund the November 1, 2000 general obligation bonds. Since this is a crossover refunding and does not qualify as a debt defeasance, the November 1, 2000 bonds remain as a long-term liability until their call date on May 1, 2010.

As shown below, early retirement liability increased by nearly \$155,000 in 2009 due to the Board of Directors enacting a new early retirement policy (one year only) in which one teacher and one administrator took advantage of. The Superintendent of Schools also retired in 2009 which began his early retirement compensation package which had been negotiated in his contract.

Capital leases also materially increased from 2008 to 2009. As stated earlier, the District entered into a multi-year lease agreement for computers for over \$500,000.

**Outstanding Long-Term Debt
as of June 30, 2009**

Figure A-9

	Total School District		
	<u>2009</u>	<u>2008</u>	<u>% Change</u>
General Obligation Bonds	\$ 6,500,000	\$ 6,720,000	-3.27%
Early Retirement	\$ 235,104	\$ 80,858	190.76%
Capital Lease	\$ 626,741	\$ 74,785	738.06%
Other	<u>\$ 2,699</u>	<u>\$ 3,034</u>	<u>-11.04%</u>
Total	\$ 7,364,544	\$ 6,878,677	7.06%

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:

- School financing is highly dependent upon student enrollment. The District's October 2008 enrollment, which is the budget enrollment for fiscal year 2010, decreased by 13 students. This drop in enrollment will decrease the District's funding for 2010.
- However, the enrollment count taken in October 2009, used for budget enrollment for fiscal year 2011, increased by three students. Although the District has had fluctuating enrollment over the past ten years, the District's overall enrollment has increased by over 40 students. Future enrollment trends are expected to increase due to new housing developments in the District as well as overall growth in the area. It will be important for the District to manage the fluctuating student enrollment and be prepared for lower than expected state aid.
- The overall 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 (SILO). Retail sales and commercial growth in the area will largely impact the District's SILO funds as well as the District's taxable valuations. Until 2009, retail sales in Dallas County have been higher than anticipated.
- The Board of Education is currently considering adopting another early retirement policy to replace the early retirement policy for certified staff that expired last year. Depending on the number of staff who take the early retirement option, the District could see a substantial cost savings within the General Fund, but will have to ensure the Management Fund is healthy enough to cover this impending cost by levying additional dollars in this fund.
- The national economy, the State of Iowa's budget, and future legislative decisions will impact schools significantly. The District will need to plan for lower than anticipated allowable growth and the potential for additional funding cuts to local school districts. The District will have to manage the local property taxes and levy for shortfalls in state funding. Fortunately, the District's patrons have always been supportive of maintaining high level schools for their children.

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

BASIC FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total	Component Unit - Van Meter Educational Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents:				
ISCAP	1,045,917	-	1,045,917	-
Other	4,582,799	3,103	4,585,902	111,506
Receivables:				
Property tax:				
Delinquent	27,282	-	27,282	-
Succeeding year	2,651,874	-	2,651,874	-
Accounts	129	-	129	-
Accrued interest - ISCAP	3,174	-	3,174	-
Due from other governments	330,533	-	330,533	-
Inventories	-	2,893	2,893	-
Capital assets, net of accumulated depreciation	8,178,550	11,439	8,189,989	-
Total assets	16,820,258	17,435	16,837,693	111,506
Liabilities				
Accounts payable	268,939	2,844	271,783	-
Salaries and benefits payable	548,821	4,365	553,186	-
Accrued interest payable	51,167	-	51,167	-
Deferred revenue:				
Succeeding year property tax	2,651,874	-	2,651,874	-
Other	17,843	4,654	22,497	-
ISCAP warrants payable	1,031,000	-	1,031,000	-
ISCAP accrued interest payable	6,334	-	6,334	-
ISCAP premium	16,013	-	16,013	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	3,345,000	-	3,345,000	-
Capital leases	185,964	-	185,964	-
Termination benefits	101,414	-	101,414	-
Compensated absences	2,699	-	2,699	-
Portion due after one year:				
General obligation bonds payable	3,155,000	-	3,155,000	-
Capital leases	440,777	-	440,777	-
Termination benefits	133,690	-	133,690	-
Total liabilities	11,956,535	11,863	11,968,398	-

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total	Component Unit - Van Meter Educational Foundation
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets				
Invested in capital assets, net of related debt	4,170,374	11,439	4,181,813	-
Restricted for:				
Scholarships	-	-	-	35,698
Categorical funding	19,894	-	19,894	-
Physical plant and equipment levy	102,257	-	102,257	-
Other special revenue purposes	64,191	-	64,191	-
Sales tax capital projects	138,825	-	138,825	-
Unrestricted	<u>368,182</u>	<u>(5,867)</u>	<u>362,315</u>	<u>75,358</u>
Total net assets	<u><u>4,863,723</u></u>	<u><u>5,572</u></u>	<u><u>4,869,295</u></u>	<u><u>111,056</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Activities
Year ended June 30, 2009

Functions/Programs	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,605,683	393,241	554,062	-
Special	650,960	38,163	29,552	-
Other	527,505	183,846	23,649	-
	<u>3,784,148</u>	<u>615,250</u>	<u>607,263</u>	<u>-</u>
Support services:				
Student	150,000	-	-	-
Instructional staff	232,771	-	-	-
Administration	857,603	-	-	-
Operation and maintenance of plant	492,727	5,323	-	-
Transportation	279,509	-	9,317	-
	<u>2,012,610</u>	<u>5,323</u>	<u>9,317</u>	<u>-</u>
Non-instructional programs	3,000	-	-	-
Other expenditures:				
Facilities acquisition	95,529	-	-	15,000
Long-term debt interest	318,204	-	122,292	-
AEA flowthrough	202,486	-	202,486	-
Depreciation (unallocated)*	197,604	-	-	-
	<u>813,823</u>	<u>-</u>	<u>324,778</u>	<u>15,000</u>
Total governmental activities	6,613,581	620,573	941,358	15,000
Business type activities:				
Non-instructional programs:				
Food service operations	239,441	163,260	61,028	-
Total primary government	6,853,022	783,833	1,002,386	15,000
Component Unit:				
Van Meter Educational Foundation	47,402	-	74,783	-
Total	<u>6,900,424</u>	<u>783,833</u>	<u>1,077,169</u>	<u>15,000</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,658,380)	-	(1,658,380)	-
(583,245)	-	(583,245)	-
(320,010)	-	(320,010)	-
<u>(2,561,635)</u>	<u>-</u>	<u>(2,561,635)</u>	<u>-</u>
(150,000)	-	(150,000)	-
(232,771)	-	(232,771)	-
(857,603)	-	(857,603)	-
(487,404)	-	(487,404)	-
(270,192)	-	(270,192)	-
<u>(1,997,970)</u>	<u>-</u>	<u>(1,997,970)</u>	<u>-</u>
(3,000)	-	(3,000)	-
(80,529)	-	(80,529)	-
(195,912)	-	(195,912)	-
-	-	-	-
<u>(197,604)</u>	<u>-</u>	<u>(197,604)</u>	<u>-</u>
<u>(474,045)</u>	<u>-</u>	<u>(474,045)</u>	<u>-</u>
(5,036,650)	-	(5,036,650)	-
-	(15,153)	(15,153)	-
(5,036,650)	(15,153)	(5,051,803)	-
-	-	-	27,381
<u>(5,036,650)</u>	<u>(15,153)</u>	<u>(5,051,803)</u>	<u>27,381</u>
1,794,623	-	1,794,623	-
412,488	-	412,488	-
242,896	-	242,896	-
193,371	-	193,371	-
386,551	-	386,551	-
2,245,043	-	2,245,043	-
26,997	82	27,079	3,847
45,703	-	45,703	-
5,347,672	82	5,347,754	3,847
(3,751)	3,751	-	-
<u>5,343,921</u>	<u>3,833</u>	<u>5,347,754</u>	<u>3,847</u>
307,271	(11,320)	295,951	31,228
<u>4,556,452</u>	<u>16,892</u>	<u>4,573,344</u>	<u>79,828</u>
<u>4,863,723</u>	<u>5,572</u>	<u>4,869,295</u>	<u>111,056</u>

VAN METER COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Capital Projects	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments						
ISCAP	1,045,917	-	-	-	-	1,045,917
Other	938,953	176,251	3,140,135	106,512	220,948	4,582,799
Receivables:						
Property tax:						
Delinquent	18,913	-	4,565	2,689	1,115	27,282
Succeeding year	1,928,863	-	410,054	262,957	50,000	2,651,874
Accounts	-	-	-	-	129	129
Accrued interest - ISCAP	3,174	-	-	-	-	3,174
Due from other governments	258,703	71,830	-	-	-	330,533
Total assets	4,194,523	248,081	3,554,754	372,158	272,192	8,641,708
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	150,547	109,256	-	6,944	2,192	268,939
Salaries and benefits payable	548,821	-	-	-	-	548,821
ISCAP warrants payable	1,031,000	-	-	-	-	1,031,000
ISCAP accrued interest payable	6,334	-	-	-	-	6,334
ISCAP premium	16,013	-	-	-	-	16,013
Deferred revenue:						
Succeeding year property tax	1,928,863	-	410,054	262,957	50,000	2,651,874
Income surtax	223,624	-	-	-	-	223,624
Other	17,843	-	-	-	-	17,843
Total liabilities	3,923,045	109,256	410,054	269,901	52,192	4,764,448
Fund balances:						
Reserved for:						
Categorical funding	19,894	-	-	-	-	19,894
Debt service	-	-	3,144,700	-	-	3,144,700
Unreserved reported in:						
General fund	251,584	-	-	-	-	251,584
Special revenue funds	-	-	-	102,257	220,000	322,257
Capital projects funds	-	138,825	-	-	-	138,825
Total fund balances	271,478	138,825	3,144,700	102,257	220,000	3,877,260
Total liabilities and fund balances	4,194,523	248,081	3,554,754	372,158	272,192	8,641,708

VAN METER COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	3,877,260
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,178,550
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	223,624
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.	(51,167)
Long-term liabilities, including bonds payable, capital leases, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(7,364,544)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,863,723</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General Fund	Capital Projects	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,888,092	386,551	412,488	242,896	99,902	3,029,929
Tuition	390,142	-	-	-	-	390,142
Other	104,743	-	122,292	7,989	197,131	432,155
State sources	2,854,375	-	162	96	40	2,854,673
Federal sources	164,380	-	-	-	-	164,380
Total revenues	<u>5,401,732</u>	<u>386,551</u>	<u>534,942</u>	<u>250,981</u>	<u>297,073</u>	<u>6,871,279</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,534,886	-	-	623,542	27,072	3,185,500
Special	646,504	-	-	-	-	646,504
Other	361,979	-	-	-	174,977	536,956
	<u>3,543,369</u>	<u>-</u>	<u>-</u>	<u>623,542</u>	<u>202,049</u>	<u>4,368,960</u>
Support services:						
Student	150,000	-	-	-	-	150,000
Instructional staff	216,677	-	-	2,219	13,875	232,771
Administration	703,362	-	800	-	8,402	712,564
Operation and maintenance of plant	439,849	-	-	31,439	28,070	499,358
Transportation	210,426	-	-	71,975	10,516	292,917
	<u>1,720,314</u>	<u>-</u>	<u>800</u>	<u>105,633</u>	<u>60,863</u>	<u>1,887,610</u>
Non-instructional programs	-	-	-	3,751	-	3,751
Other expenditures:						
Facilities acquisition	-	798,320	-	90,831	-	889,151
Long-term debt:						
Principal	-	-	255,746	-	-	255,746
Interest and fiscal charges	-	-	322,159	-	-	322,159
AEA flowthrough	202,486	-	-	-	-	202,486
	<u>202,486</u>	<u>798,320</u>	<u>577,905</u>	<u>90,831</u>	<u>-</u>	<u>1,669,542</u>
Total expenditures	<u>5,466,169</u>	<u>798,320</u>	<u>578,705</u>	<u>823,757</u>	<u>262,912</u>	<u>7,929,863</u>

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General Fund	Capital Projects	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	<u>(64,437)</u>	<u>(411,769)</u>	<u>(43,763)</u>	<u>(572,776)</u>	<u>34,161</u>	<u>(1,058,584)</u>
Other financing sources (uses):						
Compensation for loss of fixed assets	38,324	-	-	-	-	38,324
Proceeds from capital leases	-	-	-	587,702	-	587,702
Operating transfers in	-	-	40,967	-	6,000	46,967
Operating transfers out	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>(46,967)</u>	<u>-</u>	<u>(49,967)</u>
Total other financing sources (uses)	<u>35,324</u>	<u>-</u>	<u>40,967</u>	<u>540,735</u>	<u>6,000</u>	<u>623,026</u>
Net change in fund balances	(29,113)	(411,769)	(2,796)	(32,041)	40,161	(435,558)
Fund balances beginning of year	<u>300,591</u>	<u>550,594</u>	<u>3,147,496</u>	<u>134,298</u>	<u>179,839</u>	<u>4,312,818</u>
Fund balances end of year	<u><u>271,478</u></u>	<u><u>138,825</u></u>	<u><u>3,144,700</u></u>	<u><u>102,257</u></u>	<u><u>220,000</u></u>	<u><u>3,877,260</u></u>

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, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(435,558)

**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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:

Donated capital assets	15,000	
Expenditures for capital assets	1,480,809	
Depreciation expense	<u>(271,068)</u>	1,224,741

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
	255,746

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.	
	3,955

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

Termination benefits	(154,246)	
Compensated absences	<u>335</u>	(153,911)

Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.	
	<u>(587,702)</u>

Changes in net assets of governmental activities (Exhibit B)	<u><u>307,271</u></u>
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VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	3,103
Inventories	2,893
Capital assets, net of accumulated depreciation	<u>11,439</u>
Total assets	<u>17,435</u>
Liabilities	
Accounts payable	2,844
Salaries and benefits payable	4,365
Deferred revenue	<u>4,654</u>
Total liabilities	<u>11,863</u>
Net assets	
Invested in capital assets	11,439
Unrestricted	<u>(5,867)</u>
Total net assets	<u><u>5,572</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>163,260</u>
Operating expenses:	
Non-instructional programs:	
Salaries	67,546
Benefits	25,842
Supplies	143,687
Depreciation	2,050
Other	70
Total operating expenses	<u>239,195</u>
Operating gain (loss)	<u>(75,935)</u>
Non-operating revenues:	
State sources	2,786
Federal sources	58,242
Interest income	82
Loss on disposal of capital assets	(246)
Total non-operating revenues	<u>60,864</u>
Gain (loss) before contributions and transfers	(15,071)
Capital contributions	751
Transfers in	<u>3,000</u>
Change in net assets	(11,320)
Net assets beginning of year	<u>16,892</u>
Net assets end of year	<u><u>5,572</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	162,392
Cash payments to employees for services	(92,190)
Cash payments to suppliers for goods or services	(136,960)
Net cash used by operating activities	<u>(66,758)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	3,000
State grants received	2,786
Federal grants received	53,071
Net cash provided by non-capital financing activities	<u>58,857</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>82</u>
Net increase (decrease) in cash and cash equivalents	(7,819)
Cash and cash equivalents at beginning of year	<u>10,922</u>
Cash and cash equivalents at end of year	<u><u>3,103</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(75,935)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	5,171
Depreciation	2,050
Decrease (increase) in inventories	281
(Decrease) increase in accounts payable	1,345
(Decrease) increase in salaries and benefits payable	1,198
(Decrease) increase in deferred revenue	(868)
Net cash used by operating activities	<u><u>(66,758)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$5,171 of federal commodities.

During the year ended June 30, 2009, the Nutrition Fund received \$751 of equipment that was purchased by other funds.

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2009

	<u>Agency</u> \$
Assets	
Due from other governments	19,391
Liabilities	
Due to other governments	<u>19,391</u>
Total net assets	<u><u>-</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

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. The geographic area served includes the City of Van Meter, Iowa and the predominately agricultural territory in a portion of 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. The Van Meter Educational Foundation has been included due to the nature and significance of its relationship with the Van Meter Community School District.

The Van Meter Educational Foundation was organized to support and enhance the educational activities and programs of the Van Meter Community School District, including the making of scholarships and grants to qualifying high school graduates of the Van Meter Community school District. As explained the audit report, the Foundation has not been audited.

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 County Assessor's Conference Board.

B. Basis of Presentation

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized 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 Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This 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.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, 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 the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008, through June 30, 2009, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
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 over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction function exceeded the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 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.

At June 30, 2009, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
U.S. Treasury Note	1,783	November 1, 2009
U.S. Treasury Note	3,116,782	May 1, 2010

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	763,297

The Iowa Schools Joint Investment Trust investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in U.S. Treasury Notes are reported at fair value.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service. The investment in U.S. Treasury notes is not subject to risk analysis.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Student Activity Fund	Physical Plant and Equipment Levy Fund	6,000
Debt Service Fund	Physical Plant and Equipment Levy Fund	40,967
Nonmajor School Nutrition Fund	General Fund	3,000

The transfer from the Physical Plant and Equipment Levy Fund (PPEL) moved donations that were incorrectly recorded in the PPEL Fund in the prior year.

The transfer from the PPEL Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The transfer from the General Fund to the School Nutrition subsidized food service operating expenses.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09B	1/21/09	1/21/10	472,987	3,103	467,000	6,141
2009-10A	6/25/09	6/23/10	572,930	71	564,000	193
Total			<u>1,045,917</u>	<u>3,174</u>	<u>1,031,000</u>	<u>6,334</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	700,000	700,000	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2008-09A	3.500	3.469
2008-09B	3.000	2.110
2009-10A	2.500	0.902

5. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	245,486	92,541	245,486	92,541
Land	801,592	-	-	801,592
Total capital assets not being depr.	<u>1,047,078</u>	<u>92,541</u>	<u>245,486</u>	<u>894,133</u>
Capital assets being depreciated:				
Buildings	7,730,178	946,567	-	8,676,745
Furniture and equipment	893,089	702,187	95,000	1,500,276
Total capital assets being deprec.	<u>8,623,267</u>	<u>1,648,754</u>	<u>95,000</u>	<u>10,177,021</u>

Less accumulated depreciation for:				
Buildings	2,183,830	197,604	-	2,381,434
Furniture and equipment	532,706	73,464	95,000	511,170
Total accumulated depreciation	<u>2,716,536</u>	<u>271,068</u>	<u>95,000</u>	<u>2,892,604</u>
 Total capital assets being depreciated, net	 <u>5,906,731</u>	 <u>1,377,686</u>	 <u>-</u>	 <u>7,284,417</u>
 Governmental activities capital assets, net	 <u>6,953,809</u>	 <u>1,470,227</u>	 <u>245,486</u>	 <u>8,178,550</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Business type activities:				
Furniture and equipment	85,479	751	1,231	84,999
Less accumulated depreciation	<u>72,495</u>	<u>2,050</u>	<u>985</u>	<u>73,560</u>
 Business type activities capital assets, net	 <u>12,984</u>	 <u>(1,299)</u>	 <u>246</u>	 <u>11,439</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	4,013
Special	4,456
Other	495
Support services:	
Operation and maintenance of plant services	5,933
Transportation	<u>58,567</u>
	73,464
Unallocated depreciation	<u>197,604</u>
 Total depreciation expense – governmental activities	 <u>271,068</u>
 Business type activities:	
Food services	<u>2,050</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	6,720,000	-	220,000	6,500,000	3,345,000
Compensated absences	3,034	2,699	3,034	2,699	2,699
Capital leases	74,785	587,702	35,746	626,741	185,964
Termination benefits	80,858	185,374	31,128	235,104	101,414
Total	6,878,677	775,775	289,908	7,364,544	3,635,077

Termination Benefits

The District offered a voluntary early retirement plan to its certified and classified employees for the years ended June 30, 2009 and 2008. Eligible employees must be at least age fifty-five and employees must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$20,000 per individual, paid directly into a tax-sheltered annuity in two equal payments over two consecutive years. The District also has early retirement liabilities based on prior year plans. Details of these plans are available upon request of the District's administrative office.

At June 30, 2009, the District has obligations to nine participants with a total liability of \$235,104. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$31,128. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 2000			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	6.250	3,345,000	179,054	3,524,054

The November 1, 2000 bonds are scheduled to be called on May 1, 2010.

Year Ending June 30,	Bond Issue of November 1, 2005			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	4.00	-	125,058	125,058
2011	4.00	260,000	125,057	385,057
2012	4.00	270,000	114,658	384,658
2013	4.00	285,000	103,857	388,857
2014	4.00	295,000	92,458	387,458
2015-2019	4.00	1,670,000	277,612	1,947,612
2020	4.00	375,000	15,000	390,000
		<u>3,155,000</u>	<u>853,700</u>	<u>4,008,700</u>

Capital Leases

The District has leased buses and computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2009.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2010	187,892
	2011	146,925
	2012	146,925
	2013	<u>146,925</u>
Minimum Lease Payments		628,667
Less Amount Representing Interest		<u>1,926</u>
Present Value of Minimum Lease Payments		<u><u>626,741</u></u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contributions requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$206,403, \$184,064, \$158,376 respectively, equal to the required contributions for each year.

8. Risk Management

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.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$202,486 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into a \$177,200 contract for basement remodeling. As of June 30, 2009 costs of \$64,597 had been incurred against the contract. The balance remaining at June 30, 2009 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

VAN METER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,852,226	163,342	4,015,568	4,182,450	4,182,450	(166,882)
State sources	2,854,673	2,786	2,857,459	2,996,008	2,996,008	(138,549)
Federal sources	164,380	58,242	222,622	87,000	87,000	135,622
Total revenues	<u>6,871,279</u>	<u>224,370</u>	<u>7,095,649</u>	<u>7,265,458</u>	<u>7,265,458</u>	<u>(169,809)</u>
Expenditures/Expenses:						
Instruction	4,368,960	-	4,368,960	4,259,572	4,259,572	(109,388)
Support services	1,887,610	-	1,887,610	2,400,000	2,400,000	512,390
Non-instructional programs	3,751	239,441	243,192	367,391	367,391	124,199
Other expenditures	1,669,542	-	1,669,542	1,998,862	1,998,862	329,320
Total expenditures/expenses	<u>7,929,863</u>	<u>239,441</u>	<u>8,169,304</u>	<u>9,025,825</u>	<u>9,025,825</u>	<u>856,521</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,058,584)	(15,071)	(1,073,655)	(1,760,367)	(1,760,367)	686,712
Other financing sources (uses) net	<u>623,026</u>	<u>3,751</u>	<u>626,777</u>	<u>-</u>	<u>-</u>	<u>626,777</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(435,558)	(11,320)	(446,878)	(1,760,367)	(1,760,367)	1,313,489
Balance beginning of year	<u>4,312,818</u>	<u>16,892</u>	<u>4,329,710</u>	<u>4,791,457</u>	<u>4,791,457</u>	<u>(461,747)</u>
Balance end of year	<u><u>3,877,260</u></u>	<u><u>5,572</u></u>	<u><u>3,882,832</u></u>	<u><u>3,031,090</u></u>	<u><u>3,031,090</u></u>	<u><u>851,742</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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 the 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 did not amend its budget.

During the year ended June 30, 2009, expenditures in the instruction function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

VAN METER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds		Total
	Management	Student	
	Levy	Activity Fund	
	\$	\$	\$
Cash and pooled investments	154,694	66,254	220,948
Receivables:			
Property tax:			
Delinquent	1,115	-	1,115
Succeeding year	50,000	-	50,000
Accounts	-	129	129
Total assets	205,809	66,383	272,192
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	2,192	2,192
Deferred revenue:			
Succeeding year property tax	50,000	-	50,000
Total liabilities	50,000	2,192	52,192
Fund balances:			
Unreserved reported in:			
Special revenue funds	155,809	64,191	220,000
Total liabilities and fund balances	205,809	66,383	272,192

VAN METER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue Funds		
	Management	Student	Total
	Levy	Activity Fund	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	99,902	-	99,902
Other	16,534	180,597	197,131
State sources	40	-	40
Total revenues	<u>116,476</u>	<u>180,597</u>	<u>297,073</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	27,072	-	27,072
Other instruction	-	174,977	174,977
Support services:			
Instructional staff services	13,875	-	13,875
Administration services	8,402	-	8,402
Operation and maintenance of plant	28,070	-	28,070
Transportation services	10,516	-	10,516
Total expenditures	<u>87,935</u>	<u>174,977</u>	<u>262,912</u>
Excess (deficiency) of revenues over (under) expenditures	28,541	5,620	34,161
Other financing sources (uses):			
Operating transfers in	-	6,000	6,000
Net change in fund balances	28,541	11,620	40,161
Fund balances beginning of year	<u>127,268</u>	<u>52,571</u>	<u>179,839</u>
Fund balances end of year	<u><u>155,809</u></u>	<u><u>64,191</u></u>	<u><u>220,000</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance	Revenues	Expenditures	Intra-fund	Balance
	Beginning of				End of
	Year			Transfers	Year
	\$	\$	\$	\$	\$
Art to remember	-	4,509	2,641	-	1,868
Athletics	3,833	58,903	54,751	-	7,985
Baseball	2,041	5,594	7,574	-	61
Basketball-boys	825	11,068	9,601	-	2,292
Basketball-girls	847	7,864	7,537	-	1,174
Book fair	-	6,068	5,726	-	342
Book tournament	53	80	87	-	46
Boxtops for education	604	2,707	1,495	-	1,816
Cap and gown	440	937	786	-	591
Class of 2007	476	-	476	-	-
Class of 2008	1	-	1	-	-
Class of 2009	681	-	681	-	-
Class of 2010	4,188	2,088	6,026	-	250
Class of 2011	4,164	1,479	1,150	-	4,493
Class of 2012	5,928	21	254	-	5,695
Class of 2013	2,463	1,276	1,006	-	2,733
Class of 2014	-	2,180	338	-	1,842
Dance squad	1,621	2,201	2,461	-	1,361
District football	-	831	831	-	-
District music	337	50	-	-	387
Drama	2,894	1,969	1,275	-	3,588
Elementary music-resale	35	279	314	-	-
Elementary science club	488	440	-	-	928
Fieldtrips	375	3,312	3,241	-	446
Football	5,351	18,857	18,434	-	5,774
Golf	-	5,160	4,337	-	823
Heart association	247	-	49	-	198
Huss memorial	260	-	-	-	260
Interest-checking	332	409	1,374	633	-
Interest public funds	648	-	-	(648)	-
Junior achievement	162	-	-	-	162
Junior high baseball	190	-	-	-	190
Junior High boys basketball	87	-	-	-	87
Junior high softball	-	307	307	-	-
Junior high volleyball	232	200	-	-	432
Kids in culture	435	460	450	15	460
National honor society	54	1,121	1,079	-	96
Pep club	1,449	11,910	7,882	-	5,477
Pottery	1,005	-	-	-	1,005
Puppy dog olympics	265	120	385	-	-
Reading incentive	436	-	-	-	436

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Reading night	202	-	-	-	202
Softball	717	659	344	-	1,032
Spanish club	425	-	-	-	425
Steele memorial	475	-	-	-	475
Stewart memorial	764	-	760	-	4
Student council	898	3,243	2,570	-	1,571
Student lead drama	745	1,051	564	-	1,232
Student pictures	1,510	2,138	2,538	-	1,110
Technology club	426	-	-	-	426
Third grade quilt club	1	-	-	-	1
Track-boys	1,114	612	666	-	1,060
Track-girls	31	-	-	-	31
Track-JH girls	166	288	314	-	140
Volleyball	754	10,302	9,676	-	1,380
Wallace summer program	896	-	75	-	821
Wrestling	-	6,889	5,953	-	936
Yearbook	-	9,015	8,968	-	47
Total	52,571	186,597	174,977	-	64,191

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Due form other governments	19,896	119,266	119,771	19,391
Liabilities				
Due to other governments	19,896	119,266	119,771	19,391

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund TypesFor the Last Six
Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	3,029,929	2,858,623	2,649,929	2,503,077	2,387,738	2,206,697
Tuition	390,142	432,871	472,837	391,969	300,265	296,314
Other	432,155	431,597	366,389	282,494	221,687	205,726
State sources	2,854,673	2,490,741	2,410,182	2,219,868	1,941,464	1,927,381
Federal sources	164,380	116,994	110,300	129,429	201,293	222,650
Total revenues	<u>6,871,279</u>	<u>6,330,826</u>	<u>6,009,637</u>	<u>5,526,837</u>	<u>5,052,447</u>	<u>4,858,768</u>
Expenditures:						
Instruction	4,368,960	3,373,847	2,997,996	2,858,668	2,670,722	2,516,794
Support services:						
Student services	150,000	142,830	154,566	135,302	130,739	119,489
Instructional staff services	232,771	227,309	218,482	233,523	279,129	232,053
Administration services	712,564	726,008	662,177	646,254	531,237	489,930
Operation and maintenance of plant	499,358	415,721	372,945	486,722	370,932	304,050
Transportation services	292,917	353,430	177,820	143,044	185,319	108,451
Non-instructional programs	3,751	-	-	-	-	-
Other expenditures:						
Facilities acquisition	889,151	342,004	31,641	827,646	301,395	248,412
Long-term debt:						
Principal	255,746	330,967	280,000	270,000	255,000	250,000
Interest and other charges	322,159	331,056	342,008	292,308	239,631	249,397
AEA flowthrough	202,486	177,738	169,033	152,401	137,762	140,786
Total expenditures	<u>7,929,863</u>	<u>6,420,910</u>	<u>5,406,668</u>	<u>6,045,868</u>	<u>5,101,866</u>	<u>4,659,362</u>

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 18, 2010. We did not issue an opinion on the Van Meter Educational Foundation, which is included as a discretely presented component unit, because we were not engaged to and did not audit the Foundation. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Van Meter Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Van Meter Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Van Meter Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Van Meter Community School District's financial statements that is more than inconsequential will not be prevented or detected by Van Meter Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Van Meter Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 09-I-A 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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Van Meter Community School District and other parties to whom Van Meter Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

January 18, 2010

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

09-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as controlling access to the board president's signature stamp, recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the instruction function.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

09-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

09-II-C Travel Expenses: 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.

09-II-D 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>
		\$
Dan Phillips, board member	Student activity event worker	120
John Seefeld, board member, insurance agent	Property and liability insurance	58,512

The transaction with John Seefeld does not appear to be a conflict of interest because he has no ownership interest in the insurance agency and does not receive a commission from the policy.

The transactions with Dan Phillips do not appear to represent conflicts of interest since the total dollar amount was less than \$2,500.

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

09-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

09-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education for supplemental weighting on Line 7 of the Certified Enrollment Certification Form for October 2008, included open enrollment in students. Only resident students can be counted for supplemental weighting.

Recommendation: The District should develop procedures to identify non-resident students on class lists for supplemental weighting.

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

District Response: We will revise our procedures.

Conclusion: Response accepted.

09-II-H Deposits and Investments: No instances of noncompliance 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.

09-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

	\$	
Beginning balance		-
Statewide sales and services tax revenue	386,551	
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	386,551	<u> </u>
Ending balance		<u> </u> <u> </u> -

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

09-II-L Old outstanding checks: We noted that the District's bank reconciliations included approximately \$2,600 of old outstanding checks. Iowa Code Section 566 specifies that holders of unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then, reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

09-II-M Allocation of Interest: We noted that interest from pooled bank accounts is not being allocated to all funds having money in the account.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

09-II-N Retention of Electronic Records: The District does not receive cancelled checks or images of the front and back of cancelled checks in the monthly bank statements. The District's bank maintains electronic copies of the front and back of each cancelled check. Chapter 554D.114 of the Code of Iowa allows the retention of checks in electronic format however the electronic image must remain accessible to the District for later reference.

Recommendation: The electronic images should be readily accessible to the District. The District should contact its bank to obtain paper images of the checks or obtain images in an electronic format.

District Response: We will request images from the bank.

Conclusion: Response accepted.

09-II-O Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used of support only the extracurricular and co-curricular activities offered as part of the District's educational program. We noted transactions for box-tops, field trips, student pictures, technology and book fair in the Student Activity Fund. These do not appear to be extracurricular or co-curricular in nature.

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

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

Recommendation: The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

District Response: We will review the transactions in the Student Activity Fund and make any necessary fund reclassifications.

Conclusion: Response accepted.

09-II-P Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase equipment with a unit cost exceeding \$500. We noted that expenditures from this fund included approximately \$537 for 50 flash drives.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the Physical Plant and Equipment Fund for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.

09-II-Q Construction Contract Change Orders: We noted that the Board of Directors did not approve change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.