

VAN METER COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these 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, 2010, 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 10, 2011 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, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2009 (which are not presented herein). We did not issue an opinion on the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. The financial statements for the five years ended June 30, 2008, (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 10, 2011

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# **Van Meter Community School District**

## **Management Discussion and Analysis**

### **For the Year Ending June 30, 2010**

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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, 2010. 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 increased from \$251,584 in 2009 to \$344,929 in 2010 despite a mid-year state budget cut of approximately \$265,000. District property valuation increased again by nearly 8%, which resulted in \$200,000 in additional property taxes. General fund expenses actually decreased by 2% in 2010 to compensate for the anticipated state funding shortfall. Cost savings were recognized by tenured staff taking advantage of the Board approved early retirement program and as well as cuts in discretionary spending.
- The District paid off over \$3 million dollars in long term debt due to refunding crossover bonds issued in 2006 that had been held in escrow, that paid off general obligation bonds issued in November 2000. This resulted in the Debt Service ending fund balance decreasing from \$3,144,700 in 2009 to \$26,916 in 2010.

### **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-1**  
**GASB 34 Van Meter Community School District Annual Financial Report**

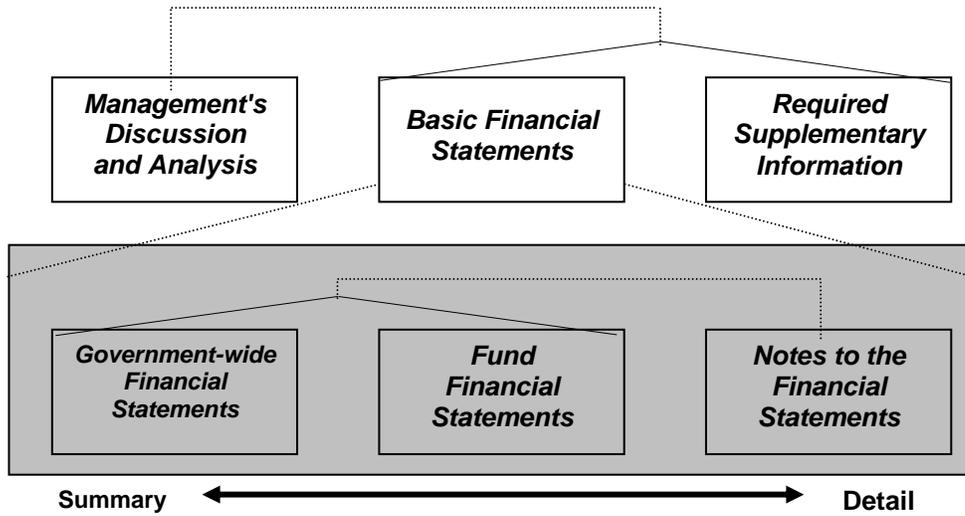


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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. This agreement with the City of Van Meter is set to expire in December 2013.

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, 2010 as compared to the prior year (2009).

	Governmental Activities		Business-Type Activities		Totals		% Change
	2,009	2,010	2,009	2,010	2,009	2,010	
Current and Other Assets	8,641,708	4,643,709	5,996	11,564	8,647,704	4,655,237	-46%
Capital Assets	<u>8,178,550</u>	<u>8,139,712</u>	<u>11,439</u>	<u>11,524</u>	<u>8,189,989</u>	<u>8,151,236</u>	<u>0%</u>
<b>Total Assets</b>	<b>16,820,258</b>	<b>12,785,431</b>	<b>17,435</b>	<b>23,088</b>	<b>16,837,693</b>	<b>12,806,509</b>	<b>-24%</b>
Current Liabilities	4,591,991	3,594,555	11,863	10,131	4,603,854	3,604,686	-22%
Long Term Liabilities	<u>7,364,544</u>	<u>3,993,264</u>	<u>-</u>	<u>37</u>	<u>7,364,544</u>	<u>3,993,301</u>	<u>-46%</u>
<b>Total Liabilities</b>	<b>11,956,535</b>	<b>7,587,819</b>	<b>11,863</b>	<b>10,168</b>	<b>11,968,398</b>	<b>7,597,987</b>	<b>-37%</b>
Net Assets							
Invested in Capital Assets (net of related debt)	4,170,374	4,406,010	11,439	11,524	4,181,813	4,417,534	6%
Restricted for:							
Categorical Funding	19,894	51,533			19,894	51,533	159%
PEEL	102,257	72,296			102,257	72,296	-29%
Other Special Revenue	64,191	58,049			64,191	58,049	-10%
Capital Projects	138,825	260,352			138,825	260,352	88%
Debt Service	-	1,532				1,532	100%
Unrestricted	<u>368,182</u>	<u>345,830</u>	<u>(5,867)</u>	<u>1,396</u>	<u>362,315</u>	<u>347,226</u>	<u>-4%</u>
<b>Total Net Assets</b>	<b>4,863,723</b>	<b>5,195,602</b>	<b>5,572</b>	<b>12,920</b>	<b>4,869,295</b>	<b>5,208,522</b>	<b>-7%</b>

Overall, the District’s total net assets decreased slightly between years, decreasing by 7%. There was a decrease of approximately 46% in both current assets and long term liabilities due to the general obligation bonds of \$3,155,000 being called in May 2010. This decreased the amount of cash equivalents being held in escrow in the debt service fund (governmental activities) as this crossover refunding paid off the November 1, 2000 general obligation bonds previously recorded in long-term liabilities.

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 total restricted net assets increased by over 30% , specifically in Categorical Funding and Capital Assets. The District reserved more state and federal categorical funding as well as capital projects revenues in order to be used in 2011.

Despite the decrease to overall total net assets, net assets within the business-type activities (school nutrition fund) actually more than doubled the 2009 net asset balance. This overall increase is due to increased cash and receivables on hand at year end.

## Changes in Net Assets

Figure A-4 below is a comparison in the changes to the District's net assets between 2009 to 2010.

**Change in District's Net Assets  
June 30, 2010**

**Figure  
A-4**

	Governmental Activities		Business-Type Activities		Totals		% Change
	2,009	2,010	2,009	2,010	2,009	2,010	
<b>Revenues</b>							
Program Revenues							
Charges for Services	620,573	709,057	163,260	177,758	783,833	886,815	13%
Operating Grants and Contributions & Rest. Int.	941,358	1,145,850	61,028	61,866	1,002,386	1,207,716	20%
Capital Grants and Contributions	15,000	-	-	-	15,000	-	-100%
General Revenues							
Property Taxes	2,450,007	2,648,081			2,450,007	2,648,081	8%
Local Option Sales and Service Tax	386,551	284,315			386,551	284,315	-26%
Income Surtax	193,371	244,269			193,371	244,269	26%
State Grants (non-restricted)	2,245,043	1,789,433			2,245,043	1,789,433	-20%
Other	<u>72,700</u>	<u>22,343</u>	<u>82</u>	<u>27</u>	<u>72,782</u>	<u>22,370</u>	<u>-69%</u>
<b>Total Revenues</b>	<b>6,924,603</b>	<b>6,843,348</b>	<b>224,370</b>	<b>239,651</b>	<b>7,148,973</b>	<b>7,082,999</b>	<b>-1%</b>
<b>Expenses</b>							
Instruction Related	3,784,148	3,797,729			3,784,148	3,797,729	0%
Student and Instructional Services	382,771	500,094			382,771	500,094	31%
Administration Services	857,603	724,895			857,603	724,895	-15%
Plant Operation	492,727	451,757			492,727	451,757	-8%
Transportation Services	279,509	277,013			279,509	277,013	-1%
Other	<u>816,823</u>	<u>757,196</u>	<u>239,441</u>	<u>235,088</u>	<u>1,056,264</u>	<u>992,284</u>	<u>-6%</u>
<b>Total Expenses</b>	<b>6,613,581</b>	<b>6,508,684</b>	<b>239,441</b>	<b>235,088</b>	<b>6,853,022</b>	<b>6,743,772</b>	<b>-2%</b>
<b>Change in Net Assets Before Transfers</b>	<b>311,022</b>	<b>334,664</b>	<b>(15,071)</b>	<b>4,563</b>	<b>295,951</b>	<b>339,227</b>	<b>15%</b>
Transfers	<u>(3,751)</u>	<u>(2,785)</u>	<u>3,751</u>	<u>2,785</u>	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>307,271</b>	<b>331,879</b>	<b>(11,320)</b>	<b>7,348</b>	<b>295,951</b>	<b>339,227</b>	<b>15%</b>
Net Assets Beginning of the Year	<u>4,556,452</u>	<u>4,863,723</u>	<u>16,892</u>	<u>5,572</u>	4,573,344	4,869,295	6%
<b>Net Assets End of the Year</b>	<b>4,863,723</b>	<b>5,195,602</b>	<b>5,572</b>	<b>12,920</b>	<b>4,869,295</b>	<b>5,208,522</b>	<b>7%</b>

As shown above, total revenues remained consistent between years, decreasing by 1%. Two of the largest components of the District's revenue sources are property taxes and state aid. Property taxes increased nearly \$200,000 due to the District's property valuations increasing by 8%. However, state grants decreased by approximately \$450,000 due to a slight decrease in the District's budget enrollment and a 10% mid-year across the board cut

issued by the Governor of Iowa which resulted in a \$265,000 shortfall in anticipated state revenues.

Expenses also remained consistent, decreasing overall by 2%. Although the negotiated salaries/benefits increase for 2010 was nearly 3.45%, cost savings were realized when a few higher tenured staff took advantage of the District's early retirement program.

In Business-Type Activities (School Nutrition Fund), charges for services from students increased by approximately \$14,000 in 2010 due to an increase in lunch prices. Expenses in this category actually decreased by nearly \$5,000 due to slight modifications in food orders and implementation of various cost saving measure.

### 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, 2010**

	2009			2010		
	Expenses	Revenues	Net	Expenses	Revenues	Net
Instruction Related	3,784,148	1,222,513	2,561,635	3,797,729	1,498,416	2,299,313
Student and Instructional Services	382,771	-	382,771	500,094	-	500,094
Administration Services	857,603	-	857,603	724,895	-	724,895
Plant Operation	492,727	5,323	487,404	451,757	6,000	445,757
Transportation Services	279,509	9,317	270,192	277,013	8,555	268,458
Non-Instructional Services	3,000	-	3,000	307	-	307
Other	<u>813,823</u>	<u>339,778</u>	<u>474,045</u>	<u>756,889</u>	<u>341,936</u>	<u>414,953</u>
<b>Total Expenses</b>	<b>6,613,581</b>	<b>1,576,931</b>	<b>5,036,650</b>	<b>6,508,684</b>	<b>1,854,907</b>	<b>4,653,777</b>

- The cost of all governmental activities for 2010 was \$6,508,684. This is a decrease of \$104,897, almost 2%, from 2009.
- \$709,057 of the above mentioned cost for 2010 was financed by the users of the District's programs. Federal and state governments subsidized certain programs with grants and contributions totaling \$1,024,028.
- The majority of the District's net costs of \$4,653,777, however, were financed by District taxpayers and the taxpayers of our state. This decreased the burden of taxpayers by nearly \$400,000 from 2009 to 2010.

### Business-Type Activities

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

- Business-type activity revenues exceeded expenses in 2010 by \$4,563. This is nearly a \$20,000 improvement from 2009 when expenses exceeded revenues by over \$15,000.

- Charges for services represent \$177,758, or 74% of total revenue while federal and state reimbursement was 61,866 or 26% of total revenue in 2010. These percentages remained consistent from 2009.
- As noted earlier, expenses decreased by 2% due to slight modifications in food ordering as well as the implementation of various cost saving measures.

## 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 \$832,777. In 2009, the District reported \$3,877,260 in combined fund balances. The nearly three million dollar decrease is due to the crossover refunding taking effect in May 2010, which allowed \$3.1 million in the District's escrow account to pay off general obligation bonds issued in November 2000 of just over 3 million. Outside of the this long term debt transaction, the District's total fund balances remained consistent, reporting an overall decrease of only 5%.

### Governmental Fund Highlights:

- The **General Fund** ending balance increased from \$271,478 in 2009 to \$396,462 in 2010. With the anticipated across the board cut in state aid mid year, the District implemented cost saving measures to keep discretionary spending down. The Board's decision to implement an early retirement program also helped the District to save on personnel related costs.
- The District's property valuation also continues to grow. In 2010 the valuations increased again by nearly 8%. This, along with the Board's decision to slightly increase taxes helped generate over \$200,000 in property taxes.
- As explained previously, the **Debt Service Fund** had a significant decrease in fund balance due to refunding crossover bonds in the amount of \$3.1 million that had been held in escrow for the District that paid off general obligation bonds in May 2010. Outside of this anticipated Debt Service transaction, the fund balance remained consistent between years. 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.

### Proprietary Fund Highlights:

- As noted previously, the **Nutrition Fund's** revenues exceeded expenses by \$4,563. This is nearly a \$15,000 improvement in ending fund balance from 2009. Implementing various cost saving initiatives as well as offering a better variety of foods, helped increase daily lunch sales by encouraging more students to eat school lunch.

### 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 'other expenditures' category due to the crossover bond refunding.

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 once again was materially within budgeted amounts planned for 2010.

## Capital Assets

At June 30, 2010, the District had invested a total of \$8,151,236, 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 remained consistent between years, in part, due to being in the middle of multi-year capital leases for technology equipment and student Construction in Progress ended in 2010 as all building projects had been completed.

**Capital Assets (net of depreciation) Figure A-6**

	Governmental Activities		Business-Type Activities		Totals		% Change
	<u>2,009</u>	<u>2,010</u>	<u>2,009</u>	<u>2,010</u>	<u>2,009</u>	<u>2,010</u>	
Land	801,592	801,592			801,592	801,592	0%
Construction in Progress	92,541	-			92,541	-	-100%
Buildings and Improvements	6,295,311	6,290,229			6,295,311	6,290,229	0%
Equipment	<u>989,106</u>	<u>1,047,891</u>	<u>11,439</u>	<u>11,524</u>	<u>1,000,545</u>	<u>1,059,415</u>	<u>6%</u>
<b>Totals</b>	<b>8,178,550</b>	<b>8,139,712</b>	<b>11,439</b>	<b>11,524</b>	<b>8,189,989</b>	<b>8,151,236</b>	<b>0%</b>

## Long-Term Debt

At year end, the district had \$3,993,264 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. This crossover refunding took place in May 2010, so over three million dollars in debt was retired for these bonds during fiscal year 2010.

As shown below, early retirement liability increased by approximately \$20,000 due to additional staff opting for the Board approved early retirement program. Capital leases and compensated absences remained consistent between years. In order to comply with new Government Accounting Standards Board (GASB) requirements, an actuary was hired to value the District's net 'Other Post-Employment Benefits' (OPEB) liability. As shown, the valuation is reported in the financials, but is immaterial.

**Outstanding Long-Term Debt as of June 30, 2010**

**Figure A-7**

	Total School District		
	<u>2,009</u>	<u>2,010</u>	<u>% Change</u>
General Obligation Bonds	6,500,000	3,155,000	-51.46%
Termination Benefits	235,104	255,517	8.68%
Capital Lease	626,741	578,702	-7.66%
Net OPEB liability	-	963	100.00%
Compensated Absences	<u>2,699</u>	<u>3,082</u>	<u>14.19%</u>
<b>Total</b>	<b>7,364,544</b>	<b>3,993,264</b>	<b>-45.78%</b>

## 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:

- *Enrollment:* The enrollment count taken in October 2009, used for budget enrollment for fiscal year 2011, increased by three students. This will allow state aid to remain consistent between years. The enrollment count taken in October 2010 used for fiscal year 2012, decreased by six resident students, however, the District currently serves twelve more students during the 2010-11 school year due to an increase in open enrollment into the District. 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.
- *Economic Development:* 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.
- *Early Retirement:* 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.
- *Economy:* 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, 2010

	Governmental Activities	Business Type Activities	Total	Component Unit - Van Meter Educational Foundation
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	1,219,251	6,848	1,226,099	110,994
Receivables:				
Property tax:				
Delinquent	24,222	-	24,222	-
Succeeding year	2,977,367	-	2,977,367	-
Accounts	1,680	1,471	3,151	-
Due from other governments	405,722	-	405,722	-
Inventories	-	3,245	3,245	-
Deposits	15,467	-	15,467	-
Capital assets, net of accumulated depreciation	8,139,712	11,524	8,151,236	-
<b>Total assets</b>	<b>12,783,421</b>	<b>23,088</b>	<b>12,806,509</b>	<b>110,994</b>
<b>Liabilities</b>				
Accounts payable	115,305	2,990	118,295	-
Salaries and benefits payable	454,234	3,062	457,296	-
Accrued interest payable	25,384	-	25,384	-
Deferred revenue:				
Succeeding year property tax	2,977,367	-	2,977,367	-
Other	22,265	4,079	26,344	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	260,000	-	260,000	-
Capital leases	214,406	-	214,406	-
Termination benefits	75,600	-	75,600	-
Compensated absences	3,082	-	3,082	-
Portion due after one year:				
General obligation bonds payable	2,895,000	-	2,895,000	-
Capital leases	364,296	-	364,296	-
Termination benefits	179,917	-	179,917	-
Net OPEB liability	963	37	1,000	-
<b>Total liabilities</b>	<b>7,587,819</b>	<b>10,168</b>	<b>7,597,987</b>	<b>-</b>

## VAN METER COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total	Component Unit - Van Meter Educational Foundation
	\$	\$	\$	\$
<b>Net assets</b>				
Invested in capital assets, net of related debt	4,406,010	11,524	4,417,534	-
Restricted for:				
Scholarships	-	-	-	35,698
Categorical funding	51,533	-	51,533	-
Physical plant and equipment levy	72,296	-	72,296	-
Other special revenue purposes	58,049	-	58,049	-
Sales tax capital projects	260,352	-	260,352	-
Debt service	1,532	-	1,532	-
Unrestricted	345,830	1,396	347,226	75,296
<b>Total net assets</b>	<u>5,195,602</u>	<u>12,920</u>	<u>5,208,522</u>	<u>110,994</u>

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Governmental activities:				
Instruction:				
Regular	2,715,337	495,292	673,933	-
Special	541,195	28,839	92,609	-
Other	541,197	178,926	28,817	-
	<u>3,797,729</u>	<u>703,057</u>	<u>795,359</u>	<u>-</u>
Support services:				
Student	157,023	-	-	-
Instructional staff	343,071	-	-	-
Administration	724,895	-	-	-
Operation and maintenance of plant	451,757	6,000	-	-
Transportation	277,013	-	8,555	-
	<u>1,953,759</u>	<u>6,000</u>	<u>8,555</u>	<u>-</u>
Non-instructional programs	<u>307</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	41,842	-	-	-
Long-term debt interest	280,257	-	121,822	-
AEA flowthrough	220,114	-	220,114	-
Depreciation (unallocated)*	214,676	-	-	-
	<u>756,889</u>	<u>-</u>	<u>341,936</u>	<u>-</u>
Total governmental activities	<u>6,508,684</u>	<u>709,057</u>	<u>1,145,850</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>235,088</u>	<u>177,758</u>	<u>61,866</u>	<u>-</u>
Total primary government	<u>6,743,772</u>	<u>886,815</u>	<u>1,207,716</u>	<u>-</u>
Component Unit:				
Van Meter Educational Foundation	<u>22,088</u>	<u>-</u>	<u>23,580</u>	<u>-</u>
Total	<u>6,765,860</u>	<u>886,815</u>	<u>1,231,296</u>	<u>-</u>
<b>General Revenues:</b>				
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

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,546,112)	-	(1,546,112)	-
(419,747)	-	(419,747)	-
(333,454)	-	(333,454)	-
<u>(2,299,313)</u>	<u>-</u>	<u>(2,299,313)</u>	<u>-</u>
(157,023)	-	(157,023)	-
(343,071)	-	(343,071)	-
(724,895)	-	(724,895)	-
(445,757)	-	(445,757)	-
(268,458)	-	(268,458)	-
<u>(1,939,204)</u>	<u>-</u>	<u>(1,939,204)</u>	<u>-</u>
(307)	-	(307)	-
(41,842)	-	(41,842)	-
(158,435)	-	(158,435)	-
-	-	-	-
<u>(214,676)</u>	<u>-</u>	<u>(214,676)</u>	<u>-</u>
<u>(414,953)</u>	<u>-</u>	<u>(414,953)</u>	<u>-</u>
(4,653,777)	-	(4,653,777)	-
-	4,536	4,536	-
(4,653,777)	4,536	(4,649,241)	-
-	-	-	1,492
<u>(4,653,777)</u>	<u>4,536</u>	<u>(4,649,241)</u>	<u>1,492</u>
1,976,069	-	1,976,069	-
409,436	-	409,436	-
262,576	-	262,576	-
244,269	-	244,269	-
284,315	-	284,315	-
1,789,433	-	1,789,433	-
12,354	27	12,381	(1,554)
9,989	-	9,989	-
4,988,441	27	4,988,468	(1,554)
<u>(2,785)</u>	<u>2,785</u>	<u>-</u>	<u>-</u>
<u>4,985,656</u>	<u>2,812</u>	<u>4,988,468</u>	<u>(1,554)</u>
331,879	7,348	339,227	(62)
<u>4,863,723</u>	<u>5,572</u>	<u>4,869,295</u>	<u>111,056</u>
<u>5,195,602</u>	<u>12,920</u>	<u>5,208,522</u>	<u>110,994</u>

## VAN METER COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2010

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	842,423	23,268	353,560	1,219,251
Receivables:				
Property tax:				
Delinquent	17,703	3,648	2,871	24,222
Succeeding year	2,128,264	386,058	463,045	2,977,367
Accounts	1,680	-	-	1,680
Due from other governments	347,084	-	58,638	405,722
Deposits	-	-	15,467	15,467
<b>Total assets</b>	<b>3,337,154</b>	<b>412,974</b>	<b>893,581</b>	<b>4,643,709</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	95,568	-	19,737	115,305
Salaries and benefits payable	452,834	-	1,400	454,234
Deferred revenue:				
Succeeding year property tax	2,128,264	386,058	463,045	2,977,367
Income surtax	241,761	-	-	241,761
Other	22,265	-	-	22,265
Total liabilities	<u>2,940,692</u>	<u>386,058</u>	<u>484,182</u>	<u>3,810,932</u>
Fund balances:				
Reserved for:				
Categorical funding	51,533	-	-	51,533
Debt service	-	26,916	-	26,916
Unreserved reported in:				
General fund	344,929	-	-	344,929
Special revenue funds	-	-	149,047	149,047
Capital projects funds	-	-	260,352	260,352
Total fund balances	<u>396,462</u>	<u>26,916</u>	<u>409,399</u>	<u>832,777</u>
<b>Total liabilities and fund balances</b>	<b>3,337,154</b>	<b>412,974</b>	<b>893,581</b>	<b>4,643,709</b>

## VAN METER COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

\$

<b>Total fund balances of governmental funds (Exhibit C)</b>	832,777
--	---------

***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,139,712
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	241,761
---	---------

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.	(25,384)
--	----------

Long-term liabilities, including bonds payable, capital leases, compensated absences, termination benefits, and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,993,264)</u>
---	--------------------

<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>5,195,602</u></u>
--	-------------------------

## VAN METER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,152,214	409,436	596,878	3,158,528
Tuition	460,649	-	-	460,649
Other	106,859	121,822	196,370	425,051
State sources	2,388,767	147	113	2,389,027
Federal sources	391,956	-	-	391,956
Total revenues	<u>5,500,445</u>	<u>531,405</u>	<u>793,361</u>	<u>6,825,211</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,506,986	-	77,853	2,584,839
Special	538,437	-	-	538,437
Other	404,759	-	176,378	581,137
	<u>3,450,182</u>	<u>-</u>	<u>254,231</u>	<u>3,704,413</u>
Support services:				
Student	157,023	-	-	157,023
Instructional staff	307,390	-	35,619	343,009
Administration	653,283	78	71,065	724,426
Operation and maintenance of plant	404,547	-	42,905	447,452
Transportation	188,042	-	224,150	412,192
	<u>1,710,285</u>	<u>78</u>	<u>373,739</u>	<u>2,084,102</u>
Non-instructional programs	-	-	3,092	3,092
Other expenditures:				
Facilities acquisition	-	-	158,894	158,894
Long-term debt:				
Principal	-	3,604,500	-	3,604,500
Interest and fiscal charges	-	306,040	-	306,040
AEA flowthrough	220,114	-	-	220,114
	<u>220,114</u>	<u>3,910,540</u>	<u>158,894</u>	<u>4,289,548</u>
Total expenditures	<u>5,380,581</u>	<u>3,910,618</u>	<u>789,956</u>	<u>10,081,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>119,864</u>	<u>(3,379,213)</u>	<u>3,405</u>	<u>(3,255,944)</u>

## VAN METER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Proceeds from capital leases	-	-	211,461	211,461
Operating transfers in	5,120	261,429	-	266,549
Operating transfers out	-	-	(266,549)	(266,549)
Total other financing sources (uses)	<u>5,120</u>	<u>261,429</u>	<u>(55,088)</u>	<u>211,461</u>
Net change in fund balances	124,984	(3,117,784)	(51,683)	(3,044,483)
Fund balances beginning of year	<u>271,478</u>	<u>3,144,700</u>	<u>461,082</u>	<u>3,877,260</u>
Fund balances end of year	<u><u>396,462</u></u>	<u><u>26,916</u></u>	<u><u>409,399</u></u>	<u><u>832,777</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, 2010

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(3,044,483)
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	389,369	
Depreciation expense	<u>(428,207)</u>	(38,838)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		18,137
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.		
		3,604,500
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.		
		25,783
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	(20,413)	
Compensated absences	(383)	
Other postemployment benefits	<u>(963)</u>	(21,759)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		
		<u>(211,461)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>331,879</u></u>

## VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2010

	Nonmajor School Nutrition
	<u>          </u>
	\$
<b>Assets</b>	
Cash and cash equivalents	6,848
Accounts receivable	1,471
Inventories	3,245
Capital assets, net of accumulated depreciation	<u>11,524</u>
<b>Total assets</b>	<u>23,088</u>
<b>Liabilities</b>	
Accounts payable	2,990
Salaries and benefits payable	3,062
Deferred revenue	4,079
Net OPEB liability	<u>37</u>
<b>Total liabilities</b>	<u>10,168</u>
<b>Net assets</b>	
Invested in capital assets	11,524
Unrestricted	<u>1,396</u>
<b>Total net assets</b>	<u><u>12,920</u></u>

## VAN METER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>177,758</u>
Operating expenses:	
Non-instructional programs:	
Salaries	65,718
Benefits	26,504
Supplies	139,990
Depreciation	2,700
Other	176
Total operating expenses	<u>235,088</u>
Operating gain (loss)	<u>(57,330)</u>
Non-operating revenues:	
State sources	2,456
Federal sources	59,410
Interest income	27
Total non-operating revenues	<u>61,893</u>
Gain (loss) before contributions	4,563
Capital contributions	<u>2,785</u>
Change in net assets	7,348
Net assets beginning of year	<u>5,572</u>
Net assets end of year	<u><u>12,920</u></u>

## VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	175,712
Cash payments to employees for services	(93,488)
Cash payments to suppliers for goods or services	(131,403)
Net cash used by operating activities	<u>(49,179)</u>
Cash flows from non-capital financing activities:	
State grants received	2,456
Federal grants received	50,441
Net cash provided by non-capital financing activities	<u>52,897</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>27</u>
Net increase (decrease) in cash and cash equivalents	3,745
Cash and cash equivalents at beginning of year	<u>3,103</u>
Cash and cash equivalents at end of year	<u><u>6,848</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(57,330)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	8,969
Depreciation	2,700
Decrease (increase) in inventories	(352)
Decrease (increase) in accounts receivable	(1,471)
(Decrease) increase in accounts payable	146
(Decrease) increase in salaries and benefits payable	(1,303)
(Decrease) increase in deferred revenue	(575)
(Decrease) increase in other postemployment benefits	<u>37</u>
Net cash used by operating activities	<u><u>(49,179)</u></u>

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

During the year ended June 30, 2010, the District received \$8,969 of federal commodities.

During the year ended June 30, 2010, the Nutrition Fund received \$2,785 of equipment that was purchased by other funds.

## VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2010

	<u>Agency</u>
	\$
<b>Assets</b>	
Due from other governments	12,230
<b>Liabilities</b>	
Due to other governments	<u>12,230</u>
<b>Net Assets</b>	<u><u>-</u></u>

# VAN METER COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### 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 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009, through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, and intangibles, 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
Intangibles	25,000
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
Intangibles	3-20 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, 2010. 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, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

**2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	247,974

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.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

### 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
		\$
General Fund	Nonmajor Student Activity Fund	5,120
Debt Service Fund	Nonmajor Physical Plant and Equipment Levy	220,462
Debt Service Fund	Nonmajor Capital Projects	40,967

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

### 4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. N.A. is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	300,000	300,000	-
2009-10-B	2/1/10	1/21/11	-	-	-	-
			-	300,000	300,000	-

During the year ended June 30, 2010, the District paid \$2,911 of interest on the ISCAP warrants.

### 5. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	92,541	-	92,541	-
Land	801,592	-	-	801,592
Total capital assets not being depr.	<u>894,133</u>	<u>-</u>	<u>92,541</u>	<u>801,592</u>
Capital assets being depreciated:				
Buildings	8,676,745	209,594	-	8,886,339
Furniture and equipment	1,500,276	272,316	-	1,772,592
Total capital assets being deprec.	<u>10,177,021</u>	<u>481,910</u>	<u>-</u>	<u>10,658,931</u>
Less accumulated depreciation for:				
Buildings	2,381,434	214,676	-	2,596,110
Furniture and equipment	511,170	213,531	-	724,701
Total accumulated depreciation	<u>2,892,604</u>	<u>428,207</u>	<u>-</u>	<u>3,320,811</u>
Total capital assets being depreciated, net	<u>7,284,417</u>	<u>53,703</u>	<u>-</u>	<u>7,338,120</u>
Governmental activities capital assets, net	<u>8,178,550</u>	<u>53,703</u>	<u>92,541</u>	<u>8,139,712</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	84,999	2,785	-	87,784
Less accumulated depreciation	<u>73,560</u>	<u>2,700</u>	<u>-</u>	<u>76,260</u>
Business type activities capital assets, net	<u>11,439</u>	<u>85</u>	<u>-</u>	<u>11,524</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	124,771
Special	2,536
Other	2,689
Support services:	
Operation and maintenance of plant services	7,253
Transportation	<u>76,282</u>
	213,531
Unallocated depreciation	<u>214,676</u>
Total depreciation expense – governmental activities	<u>428,207</u>
Business type activities:	
Food services	<u>2,700</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	6,500,000	-	3,345,000	3,155,000	260,000
Compensated absences	2,699	3,082	2,699	3,082	3,082
Capital leases	626,741	211,461	259,500	578,702	214,406
Termination benefits	235,104	131,827	111,414	255,517	75,600
Net OPEB liability	-	963	-	963	-
<b>Total</b>	<b>7,364,544</b>	<b>347,333</b>	<b>3,718,613</b>	<b>3,993,264</b>	<b>553,088</b>
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	37	-	37	-

### Termination Benefits

The District offered a voluntary early retirement plan to its certified and classified employees for the years 2008 to 2010. 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 2010 early retirement benefit for each eligible employee is equal to 40% of the contract year's IPERS wages and \$30 per day for unused sick leave. Payments will be made twice a year over three 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, 2010, the District has obligations to eleven participants with a total liability of \$255,517. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$111,414. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

### General Obligation Bonds Payable

The November 1, 2000 bonds were called on May 1, 2010.

Year Ending June 30,	Bond Issue of November 1, 2005			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.00	310,000	80,657	390,657
2016-2020	4.00	1,735,000	211,955	1,946,955
		<u>3,155,000</u>	<u>728,642</u>	<u>3,883,642</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, 2010.

	Year Ending June 30,	Amount
		\$
	2011	220,462
	2012	220,461
	2013	146,925
Minimum Lease Payments		<u>587,848</u>
Less Amount Representing Interest		<u>9,146</u>
Present Value of Minimum Lease Payments		<u>578,702</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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contributions requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$224,033, \$206,403, \$184,064 respectively, equal to the required contributions for each year.

## 8. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 77 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with United Health. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	52,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>52,000</u>
Contributions made	<u>51,000</u>
Increase in net OPEB obligation	1,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>1,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$51,000 to the medical plan. Plan members eligible for benefits contributed \$21,000, or 29% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u> \$
June 30, 2010	52,000	98%	1,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$385,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$385,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,700,000, and the ratio of the UAAL to covered payroll was 22.6%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of

funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**9. 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.

**10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$220,114 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**11. Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Market factor	4,013
Teacher salary supplement	29,183
Core curriculum	11,213
Educator quality, professional development	2,185
Limited English proficiency	1,269
Mentoring	3,670
	<u>51,533</u>

## 12. Lease Commitment

The District entered into a four year contract to lease copy machines during fiscal year 2010. The payments the District will make over the next four years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
	\$
2011	5,880
2012	5,880
2013	5,880
2014	2,940

\$2,940 of lease payments were made during fiscal year 2010.

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, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,044,228	177,785	4,222,013	4,433,904	4,433,904	(211,891)
State sources	2,389,027	2,456	2,391,483	3,020,198	3,020,198	(628,715)
Federal sources	391,956	59,410	451,366	260,000	260,000	191,366
Total revenues	<u>6,825,211</u>	<u>239,651</u>	<u>7,064,862</u>	<u>7,714,102</u>	<u>7,714,102</u>	<u>(649,240)</u>
Expenditures/Expenses:						
Instruction	3,704,413	-	3,704,413	4,729,452	4,729,452	1,025,039
Support services	2,084,102	-	2,084,102	2,740,000	2,740,000	655,898
Non-instructional programs	3,092	235,088	238,180	349,891	349,891	111,711
Other expenditures	4,289,548	-	4,289,548	1,190,734	3,000,000	(1,289,548)
Total expenditures/expenses	<u>10,081,155</u>	<u>235,088</u>	<u>10,316,243</u>	<u>9,010,077</u>	<u>10,819,343</u>	<u>503,100</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(3,255,944)	4,563	(3,251,381)	(1,295,975)	(3,105,241)	(146,140)
Other financing sources (uses) net	<u>211,461</u>	<u>2,785</u>	<u>214,246</u>	<u>-</u>	<u>-</u>	<u>214,246</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(3,044,483)	7,348	(3,037,135)	(1,295,975)	(3,105,241)	68,106
Balance beginning of year	<u>3,877,260</u>	<u>5,572</u>	<u>3,882,832</u>	<u>4,450,975</u>	<u>4,450,975</u>	<u>(568,143)</u>
Balance end of year	<u><u>832,777</u></u>	<u><u>12,920</u></u>	<u><u>845,697</u></u>	<u><u>3,155,000</u></u>	<u><u>1,345,734</u></u>	<u><u>(500,037)</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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 adopted one budget amendment increasing budgeted expenditures by \$1,809,266.

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets ( a ) \$	Actuarial Accrued Liability (AAL) ( b ) \$	Unfunded AAL (UAAL) ( b-a ) \$	Funded Ratio ( a/b ) %	Covered Payroll ( c ) \$	UAAL as a Percentage of Covered Payroll ( (b-a)/c ) %
July 1, 2009	-	385,000	385,000	0.0%	1,700,000	22.6%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

## VAN METER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds				Total
	Management	Student	Physical	Capital	
	Levy	Activity	Plant and	Projects	
	\$	Fund	Equipment	\$	\$
	\$	\$	Levy	\$	\$
Cash and pooled investments	25,744	69,295	56,807	201,714	353,560
Receivables:					
Property tax:					
Delinquent	518	-	2,353	-	2,871
Succeeding year	185,000	-	278,045	-	463,045
Due from other governments	-	-	-	58,638	58,638
Deposit	-	-	15,467	-	15,467
<b>Total assets</b>	<b>211,262</b>	<b>69,295</b>	<b>352,672</b>	<b>260,352</b>	<b>893,581</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	6,160	11,246	2,331	-	19,737
Salaries and benefits payable	1,400	-	-	-	1,400
Deferred revenue:					
Succeeding year property tax	185,000	-	278,045	-	463,045
Total liabilities	<u>192,560</u>	<u>11,246</u>	<u>280,376</u>	<u>-</u>	<u>484,182</u>
Fund balances:					
Unreserved reported in:					
Special revenue funds	18,702	58,049	72,296	-	149,047
Capital projects funds	-	-	-	260,352	260,352
Total fund balances	<u>18,702</u>	<u>58,049</u>	<u>72,296</u>	<u>260,352</u>	<u>409,399</u>
<b>Total liabilities and fund balances</b>	<b>211,262</b>	<b>69,295</b>	<b>352,672</b>	<b>260,352</b>	<b>893,581</b>

## VAN METER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds				Total
	Management	Student	Physical	Capital	
	Levy	Activity	Plant and	Projects	
		Equipment	Sales Tax		
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	49,987	-	262,576	284,315	596,878
Other	17,672	175,356	3,110	232	196,370
State sources	18	-	95	-	113
Total revenues	<u>67,677</u>	<u>175,356</u>	<u>265,781</u>	<u>284,547</u>	<u>793,361</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	54,712	-	23,141	-	77,853
Other instruction	-	176,378	-	-	176,378
Support services:					
Instructional staff services	35,619	-	-	-	35,619
Administration services	71,059	-	6	-	71,065
Operation and maintenance of plant	30,705	-	12,200	-	42,905
Transportation services	12,689	-	211,461	-	224,150
Non-instructional programs	-	-	3,092	-	3,092
Other expenditures:					
Facilities acquisition	-	-	36,841	122,053	158,894
Total expenditures	<u>204,784</u>	<u>176,378</u>	<u>286,741</u>	<u>122,053</u>	<u>789,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(137,107)</u>	<u>(1,022)</u>	<u>(20,960)</u>	<u>162,494</u>	<u>3,405</u>
Other financing sources (uses):					
Proceeds from capital leases	-	-	211,461	-	211,461
Operating transfers out	-	(5,120)	(220,462)	(40,967)	(266,549)
Total other financing sources (uses)	<u>-</u>	<u>(5,120)</u>	<u>(9,001)</u>	<u>(40,967)</u>	<u>(55,088)</u>
Net change in fund balances	(137,107)	(6,142)	(29,961)	121,527	(51,683)
Fund balances beginning of year	<u>155,809</u>	<u>64,191</u>	<u>102,257</u>	<u>138,825</u>	<u>461,082</u>
Fund balances end of year	<u>18,702</u>	<u>58,049</u>	<u>72,296</u>	<u>260,352</u>	<u>409,399</u>

## VAN METER COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Art to remember	1,868	-	791	-	1,077
Athletics	7,985	64,242	65,196	(5)	7,026
Baseball	61	7,849	6,451	-	1,459
Basketball-boys	2,292	6,496	4,955	-	3,833
Basketball-girls	1,174	1,824	2,478	-	520
Book fair	342	4,931	5,273	-	-
Book tournament	46	90	139	3	-
Boxtops for education	1,816	1,091	2,907	-	-
Cap and gown	591	1,175	1,175	(280)	311
Class of 2010	250	286	365	-	171
Class of 2011	4,493	941	5,184	-	250
Class of 2012	5,695	2,221	1,000	-	6,916
Class of 2013	2,733	45	-	-	2,778
Class of 2014	1,842	1,768	683	-	2,927
Class of 2015	-	413	183	-	230
Dance squad	1,361	2,018	3,164	-	215
District music	387	-	-	-	387
Drama	3,588	1,427	1,150	-	3,865
Elementary music-resale	-	143	78	-	65
Elementary science club	928	300	8	-	1,220
Engineering fair	-	500	-	-	500
FCCLA	-	1,769	1,694	-	75
Fieldtrips	446	-	446	-	-
Football	5,774	39,592	40,508	-	4,858
Golf	823	2,500	347	-	2,976
Heart association	198	-	-	-	198
Huss memorial	260	-	-	-	260
Interest-checking	-	139	785	646	-
Junior achievement	162	-	-	-	162
Junior high baseball	190	732	-	-	922
Junior High boys basketball	87	1,120	1,065	-	142
Junior high softball	-	308	242	-	66
Junior high volleyball	432	-	-	(432)	-
Kids in culture	460	-	265	-	195
National honor society	96	1,074	1,450	280	-
Pep club	5,477	5,234	8,510	-	2,201
Pottery	1,005	-	370	-	635
Puppy dog olympics	-	-	115	115	-
Reading incentive	436	-	92	-	344
Reading night	202	-	-	-	202

## VAN METER COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Softball	1,032	2,692	1,339	-	2,385
Spanish club	425	-	-	-	425
Steele memorial	475	-	-	-	475
Stewart memorial	4	-	-	-	4
Student council	1,571	3,134	2,576	-	2,129
Student lead drama	1,232	1,268	1,010	-	1,490
Student pictures	1,110	261	1,371	-	-
Technology club	426	-	426	-	-
Third grade quilt club	1	-	-	-	1
Track-boys	1,060	277	-	-	1,337
Track-girls	31	1,030	604	-	457
Track-JH girls	140	244	382	-	2
Volleyball	1,380	6,024	7,841	437	-
Wallace summer program	821	-	-	(764)	57
Wrestling	936	1,578	1,643	-	871
Yearbook	47	8,620	7,237	-	1,430
	<u>64,191</u>	<u>175,356</u>	<u>181,498</u>	<u>-</u>	<u>58,049</u>
Total	<u>64,191</u>	<u>175,356</u>	<u>181,498</u>	<u>-</u>	<u>58,049</u>

## VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
<b>Assets</b>				
Due form other governments	19,391	81,757	88,918	12,230
<b>Liabilities</b>				
Due to other governments	19,391	81,757	88,918	12,230

## VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	3,158,528	3,029,929	2,858,623	2,649,929	2,503,077	2,387,738	2,206,697
Tuition	460,649	390,142	432,871	472,837	391,969	300,265	296,314
Other	425,051	432,155	431,597	366,389	282,494	221,687	205,726
State sources	2,389,027	2,854,673	2,490,741	2,410,182	2,219,868	1,941,464	1,927,381
Federal sources	391,956	164,380	116,994	110,300	129,429	201,293	222,650
Total revenues	<u>6,825,211</u>	<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	3,704,413	4,368,960	3,373,847	2,997,996	2,858,668	2,670,722	2,516,794
Support services:							
Student services	157,023	150,000	142,830	154,566	135,302	130,739	119,489
Instructional staff services	343,009	232,771	227,309	218,482	233,523	279,129	232,053
Administration services	724,426	712,564	726,008	662,177	646,254	531,237	489,930
Operation and maintenance	447,452	499,358	415,721	372,945	486,722	370,932	304,050
Transportation services	412,192	292,917	353,430	177,820	143,044	185,319	108,451
Non-instructional programs	3,092	3,751	-	-	-	-	-
Other expenditures:							
Facilities acquisition	158,894	889,151	342,004	31,641	827,646	301,395	248,412
Long-term debt:							
Principal	3,604,500	255,746	330,967	280,000	270,000	255,000	250,000
Interest and other charges	306,040	322,159	331,056	342,008	292,308	239,631	249,397
AEA flowthrough	220,114	202,486	177,738	169,033	152,401	137,762	140,786
Total expenditures	<u>10,081,155</u>	<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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 10-I-A and 10-I-B to be material weaknesses.

### 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, 2010 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 and 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 10, 2011

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2010

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

10-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.

10-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer or the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2010

Part II: Other Findings Related to Statutory Reporting:

10-II-A Certified Budget: Expenditures for the year ended June 30, 2010, exceeded the amount budgeted in the other expenditures 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.

10-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.

10-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.

10-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>
		\$
John Seefeld, board member, insurance agent	Property and liability insurance	64,241

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.

10-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.

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

10-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

10-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

10-II-I 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.

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

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2010

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

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

10-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

	\$	\$
Beginning balance		138,825
Statewide sales, services and use tax revenue		284,315
Interest revenue		232
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	122,053	
Debt service for equipment purchases:		
General obligation debt	<u>40,967</u>	<u>163,020</u>
Ending balance		<u>260,352</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	\$ 0.0000	-
Physical plant and equipment levy	\$ 1.8056	284,315

10-II-M Old outstanding checks: We noted that the District's bank reconciliations included approximately \$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.

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2010

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

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.

10-II-N Use of Credit Cards: The Board of Directors approved having a District credit card during fiscal year 2010. Chapter 279.8 of the Code of Iowa requires written guidelines for the use of District credit cards. We did not locate a board policy that covered the use of District credit cards.

Recommendation: The District should adopt a board policy on the use of credit cards.

District Response: We will do this.

Conclusion: Response accepted.

10-II-O 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.

10-II-P 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.