

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

JUNE 30, 2011

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Van Buren Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--|--|---------------------|
| Board of Education (Before September 2010 reorganization meeting) | | |
| Brian Starnes | President | 2013 |
| Kara McEntee | Vice President | 2011 |
| Sheila Parsons | Board Member | 2011 |
| Stan Whitten | Board Member | 2011 |
| Tony Huffman | Board Member | 2011 |
| Nasseen Hesler | Board Member | 2013 |
| Terry Jester | Board Member | 2013 |
| Board of Education (After September 2010 reorganization meeting) | | |
| Brian Starnes | President | 2013 |
| Kara McEntee | Vice President | 2011 |
| Sheila Parsons | Board Member | 2011 |
| Stan Whitten | Board Member | 2011 |
| Tony Huffman | Board Member | 2011 |
| Kirt Horn | Board Member (resigned August 2010) | 2011 |
| Nasseen Hesler | Board Member (appointed September 2010) | 2013 |
| Jean McIntosh | Board Member (resigned February 2011) | 2011 |
| Terry Jester | Board Member (appointed March 2011) | 2013 |
| School Officials | | |
| Lisa Beames | Superintendent | 2011 |
| Robyn Nolting | Board Secretary | 2011 |
| Janet Phelps | Board Treasurer | 2011 |
| Ahlers & Cooney | Attorney | 2011 |

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Van Buren Community School District, Keosauqua, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Van Buren Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2012, on our consideration of Van Buren Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of 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 Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 15 and 42 through 44 are not required parts of

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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 Buren 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 six years ended June 30, 2010 (which is not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Van Buren Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,599,041 in fiscal 2010 to \$8,393,903 in fiscal 2011, and General Fund expenditures decreased from \$8,355,126 in fiscal 2010 to \$7,280,495 in fiscal 2011. The District's General Fund balance increased from \$47,841 in fiscal 2010 to \$1,161,249 in fiscal 2011.
- The increase in General Fund revenues was attributable to an increase in state and local sources in fiscal 2011. The decrease in expenditures was due primarily to decreases in the instruction and support services functions.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

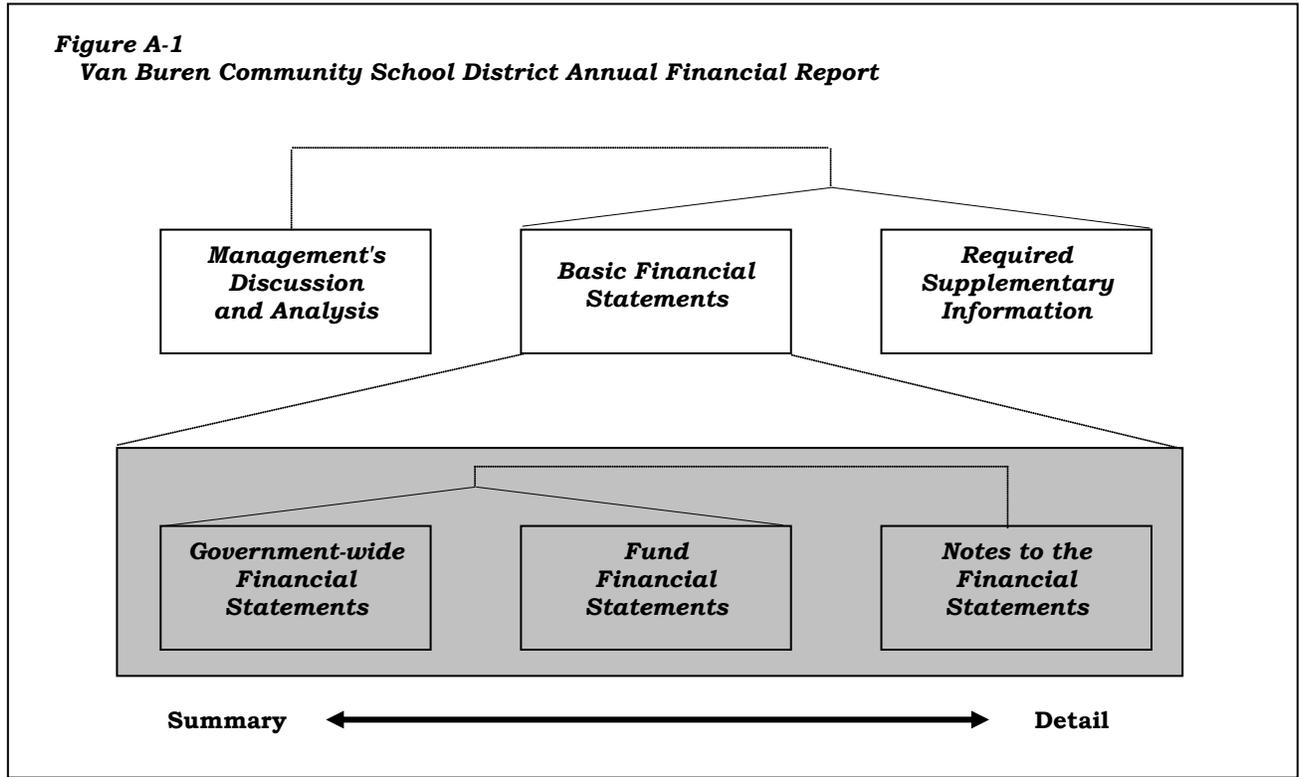


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has 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, the Special Revenue Funds, the Capital Projects Fund and the Debt Service 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 two Enterprise Funds, the School Nutrition Fund, and the Day Care 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 Agency Funds.

- Agency Funds - These are funds through which the District administers and accounts for certain outside groups.

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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

| | Governmental | | Business type | | Total | | Total |
|--|--------------|------------|---------------|--------|-----------------|------------|----------|
| | Activities | | Activities | | School District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| Current and other assets | \$ 6,785,995 | 6,293,861 | 80,276 | 38,724 | 6,866,271 | 6,332,585 | 8.43% |
| Capital assets | 7,404,430 | 7,517,933 | 17,116 | 21,622 | 7,421,546 | 7,539,555 | -1.57% |
| Total assets | 14,190,425 | 13,811,794 | 97,392 | 60,346 | 14,287,817 | 13,872,140 | 3.00% |
| Long-term liabilities | 1,112,000 | 1,556,625 | - | 3,453 | 1,112,000 | 1,560,078 | -28.72% |
| Other liabilities | 3,281,904 | 3,663,714 | 28,463 | 35,343 | 3,310,367 | 3,699,057 | -10.51% |
| Total liabilities | 4,393,904 | 5,220,339 | 28,463 | 38,796 | 4,422,367 | 5,259,135 | -15.91% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 6,384,430 | 6,247,933 | 17,116 | 21,622 | 6,401,546 | 6,269,555 | 2.11% |
| Restricted | 2,485,562 | 2,444,335 | - | - | 2,485,562 | 2,444,335 | 1.69% |
| Unrestricted | 926,529 | (100,813) | 51,813 | (72) | 978,342 | (100,885) | 1069.76% |
| Total net assets | \$ 9,796,521 | 8,591,455 | 68,929 | 21,550 | 9,865,450 | 8,613,005 | 14.54% |

The District's combined net assets increased by 14.54 %, or \$1,252,445, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$41,227, or 1.69%, over the prior year. The increase was primarily a result of the increase in carryover categorical funding balances.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,079,227, or 1069.76%. This increase is due primarily to the increase in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

| | Governmental | | Business type | | Total | | Total |
|---|--------------|-----------|---------------|---------|-----------------|-----------|----------|
| | Activities | | Activities | | School District | | Change |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| Revenues and Transfers: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 455,379 | 502,525 | 182,599 | 238,665 | 637,978 | 741,190 | -13.93% |
| Operating grants, contributions and restricted interest | 1,281,398 | 2,053,309 | 191,821 | 226,415 | 1,473,219 | 2,279,724 | -35.38% |
| Capital grants, contributions and restricted interest | - | 21,320 | - | 3,750 | - | 25,070 | -100.00% |
| General revenues: | | | | | | | |
| Property tax | 2,687,328 | 2,578,924 | - | - | 2,687,328 | 2,578,924 | 4.20% |
| Income surtax | 275,828 | 292,333 | - | - | 275,828 | 292,333 | -5.65% |
| Statewide sales, services and use tax | 549,169 | 421,027 | - | - | 549,169 | 421,027 | 30.44% |
| Unrestricted state grants | 3,509,034 | 2,706,393 | - | - | 3,509,034 | 2,706,393 | 29.66% |
| Nonspecific program federal grants | 228,635 | - | - | - | 228,635 | - | 100.00% |
| Unrestricted investment earnings | 34,741 | 37,459 | 241 | 187 | 34,982 | 37,646 | -7.08% |
| Other | 233,861 | 75,201 | 2,688 | 20 | 236,549 | 75,221 | 214.47% |
| Transfers | - | (107,820) | - | 107,820 | - | - | 0.00% |
| Total revenues and transfers | 9,255,373 | 8,580,671 | 377,349 | 576,857 | 9,632,722 | 9,157,528 | 5.19% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 4,702,319 | 5,502,499 | - | - | 4,702,319 | 5,502,499 | -14.54% |
| Support services | 2,847,974 | 2,916,267 | 1,123 | 175,391 | 2,849,097 | 3,091,658 | -7.85% |
| Non-instructional programs | 599 | 12,742 | 328,847 | 381,772 | 329,446 | 394,514 | -16.49% |
| Other expenses | 499,415 | 797,859 | - | - | 499,415 | 797,859 | -37.41% |
| Total expenses | 8,050,307 | 9,229,367 | 329,970 | 557,163 | 8,380,277 | 9,786,530 | -14.37% |
| Changes in net assets | 1,205,066 | (648,696) | 47,379 | 19,694 | 1,252,445 | (629,002) | -299.12% |
| Beginning net assets | 8,591,455 | 9,240,151 | 21,550 | 1,856 | 8,613,005 | 9,242,007 | -6.81% |
| Ending net assets | \$ 9,796,521 | 8,591,455 | 68,929 | 21,550 | 9,865,450 | 8,613,005 | 14.54% |

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax, unrestricted state grants and nonspecific program federal revenues account for 78.33 % of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.22% of the revenue from business type activities.

The District's total revenues were approximately \$9.63 million of which approximately \$9.25 million was for governmental activities and approximately \$0.38 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.19% increase in revenues and a 14.37% decrease in expenses. The increase in revenues is due primarily to the increase in state and local sources from the prior year. The decrease in expenses is related to the decrease of expenditures in the instruction and support services functions.

Governmental Activities

Revenues for governmental activities were \$9,255,373 and expenses were \$8,050,307 for the year ended June 30, 2011. In a difficult budget year the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------------|------------------------|-----------|-------------------|----------------------|-----------|-------------------|
| | 2011 | 2010 | Change 2010-11 | 2011 | 2010 | Change 2010-11 |
| Instruction | \$ 4,702,319 | 5,502,499 | -14.54% | 3,530,115 | 3,236,713 | 9.06% |
| Support services | 2,847,974 | 2,916,267 | -2.34% | 2,581,127 | 2,894,947 | -10.84% |
| Non-instructional programs | 599 | 12,742 | -95.30% | 599 | 12,742 | -95.30% |
| Other expenses | 499,415 | 797,859 | -37.41% | 201,689 | 507,811 | -60.28% |
| Totals | \$ 8,050,307 | 9,229,367 | -12.78% | 6,313,530 | 6,652,213 | -5.09% |

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$455,379.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,281,398.
- The net cost of governmental activities was financed with \$2,687,328 in property tax, \$275,828 in income surtax \$549,169 in statewide sales, services and use tax, \$3,509,034 in unrestricted state grants, \$228,635 in nonspecific program federal grants, \$34,741 in interest income and \$233,861 in other general revenue.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$377,349, representing a 34.59% decrease over the prior year, while expenses totaled \$329,970, a 40.78% decrease over the prior year. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,228,014, above last year's ending fund balance of a \$2,349,667. The increase was due primarily to the increase in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. State and local revenue sources increased during the fiscal year. Revenues were greater than expenditures resulting in the General Fund balance increasing from \$47,841 in fiscal year 2010 to \$1,161,249 in fiscal year 2011.
- The Capital Projects Fund balance was utilized for the collection of statewide sales, services and use tax. The Physical Plant and Equipment Levy Fund was utilized for the collection of property taxes. With the implantation of GASB Statement #54, the Physical Plant and Equipment Levy Fund is reclassified as a Capital Projects Fund as of July 1, 2010. The District makes transfers to the Debt Service to provide debt relief in repayment of the General Obligation Bonds and the QZAB bonds. The Capital Projects balance decreased from \$1,218,013 in fiscal year 2010 to \$1,121,599 in fiscal year 2011.
- The Debt Service Fund balance was utilized for the payments of principal and interest on bonds. Due to the bond requirements the District is required to create an escrow at Bank America that will be used to repay the Qualified Zone Academy Bond. The Debt Service balance increased from \$727,413 in fiscal year 2010 to \$786,124 in fiscal year 2011, due to the increase in the escrow reserve and the increase statewide sales, services and use tax relief provided to fund debt repayments.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$30,370 at June 30, 2010 to \$68,929 at June 30, 2011, representing an increase of 126.96%.

The Day Care Fund net assets increased from a deficit balance of \$8,820 at June 30, 2010 to a balance of \$0 at June 30, 2011. The Physical Plant and Equipment Fund transferred \$120,593 at year end to cover rent that should have been paid from the Physical Plant and Equipment Fund rather than the Day Care Fund. The Day Care Fund was closed out and the balance of \$120,593 was transferred to the General Fund.

BUDGETARY HIGHLIGHTS

The District's revenues were \$684,185 less than budgeted revenue, a variance of 6.63%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$7,421,546, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.59% from last year. More detailed information about the District's capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$350,850.

The original cost of the District's capital assets was \$11,119,970. Governmental funds account for \$11,004,988 with the remainder of \$114,982 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$88,859 at June 30, 2011, compared to \$94,918 reported at June 30, 2010. This decrease is due to depreciation expense taken for the year.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental | | Business type | | Total | | Total |
|-------------------------|--------------|-----------|---------------|--------|-----------------|-----------|----------|
| | Activities | | Activities | | School District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| Land | \$ 19,165 | 19,165 | - | - | 19,165 | 19,165 | 0.00% |
| Buildings | 6,833,735 | 6,963,481 | - | - | 6,833,735 | 6,963,481 | -1.90% |
| Land improvements | 88,859 | 94,918 | - | - | 88,859 | 94,918 | -6.82% |
| Machinery and equipment | 462,671 | 440,369 | 17,116 | 21,622 | 479,787 | 461,991 | 3.71% |
| Total | \$ 7,404,430 | 7,517,933 | 17,116 | 21,622 | 7,421,546 | 7,539,555 | -1.59% |

Long-Term Debt

At June 30, 2011, the District had \$1,112,000 in total long-term debt outstanding. This represents a decrease of 40.29 % from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had general obligation bonds payable of \$520,000 at June 30, 2011.

The District had outstanding qualified zone academy bonds payable of \$500,000 at June 30, 2011.

The District had other post employment benefits payable of \$92,000 at June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

| | Governmental | | Business type | | Total | | Total |
|------------------------------|--------------|-----------|---------------|-------|-----------------|-----------|----------|
| | Activities | | Activities | | School District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| General obligation bonds | \$ 520,000 | 770,000 | - | - | 520,000 | 770,000 | -48.08% |
| Qualified zone academy bonds | 500,000 | 500,000 | - | - | 500,000 | 500,000 | 0.00% |
| Early retirement | - | 228,736 | - | - | - | 228,736 | -100.00% |
| Net OPEB liability | 92,000 | 57,889 | - | 3,453 | 92,000 | 61,342 | 33.32% |
| Total | \$ 1,112,000 | 1,556,625 | - | 3,453 | 1,112,000 | 1,560,078 | -40.29% |

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District receives a large amount of federal and state monies through grants. The grants have to be approved and their continuation depends on federal and state funding.

-
- The District has experienced reduced enrollment for the last few years, cutting state aid to the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Van Buren Community School District

BASIC FINANCIAL STATEMENTS

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Governmental Activities | Business type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,262,132 | 39,817 | 3,301,949 |
| Receivables | | | |
| Property tax: | | | |
| Delinquent | 63,244 | - | 63,244 |
| Succeeding year | 2,651,318 | - | 2,651,318 |
| Income surtax | 278,722 | - | 278,722 |
| Accounts | 3,194 | - | 3,194 |
| Due from other governments | 527,385 | 28,746 | 556,131 |
| Inventories | - | 11,713 | 11,713 |
| Capital assets, net of accumulated depreciation | 7,404,430 | 17,116 | 7,421,546 |
| TOTAL ASSETS | 14,190,425 | 97,392 | 14,287,817 |
| LIABILITIES | | | |
| Accounts payable | 2,069 | 546 | 2,615 |
| Salaries and benefits payable | 624,411 | 23,213 | 647,624 |
| Accrued interest payable | 2,645 | - | 2,645 |
| Deferred revenue: | | | |
| Succeeding year property tax | 2,651,318 | - | 2,651,318 |
| Other | 1,461 | - | 1,461 |
| Unearned revenue | - | 4,704 | 4,704 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds | 255,000 | - | 255,000 |
| Portion due after one year: | | | |
| General obligation bonds | 265,000 | - | 265,000 |
| Qualified zone academy bonds | 500,000 | - | 500,000 |
| Net OPEB liability | 92,000 | - | 92,000 |
| TOTAL LIABILITIES | 4,393,904 | 28,463 | 4,422,367 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 6,384,430 | 17,116 | 6,401,546 |
| Restricted for: | | | |
| Categorical funding | 409,491 | - | 409,491 |
| Debt service | 786,124 | - | 786,124 |
| Management levy purposes | 92,445 | - | 92,445 |
| Student activities | 75,903 | - | 75,903 |
| School infrastructure | 1,093,095 | - | 1,093,095 |
| Physical plant and equipment levy | 28,504 | - | 28,504 |
| Unrestricted | 926,529 | 51,813 | 978,342 |
| TOTAL NET ASSETS | \$ 9,796,521 | 68,929 | 9,865,450 |

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | Total |
|------------------------------------|---------------------|-------------------------|--|--|-----------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | |
| Functions/Programs: | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 2,901,079 | 263,446 | 246,497 | (2,391,136) | - | (2,391,136) |
| Special | 851,299 | 17,113 | 149,394 | (684,792) | - | (684,792) |
| Other | 949,941 | 174,820 | 320,934 | (454,187) | - | (454,187) |
| | <u>4,702,319</u> | <u>455,379</u> | <u>716,825</u> | <u>(3,530,115)</u> | <u>-</u> | <u>(3,530,115)</u> |
| Support services: | | | | | | |
| Student | 137,477 | - | 2,054 | (135,423) | - | (135,423) |
| Instructional staff | 167,549 | - | 37,000 | (130,549) | - | (130,549) |
| Administration | 1,116,320 | - | 182,210 | (934,110) | - | (934,110) |
| Operation and maintenance of plant | 671,025 | - | - | (671,025) | - | (671,025) |
| Transportation | 755,603 | - | 45,583 | (710,020) | - | (710,020) |
| | <u>2,847,974</u> | <u>-</u> | <u>266,847</u> | <u>(2,581,127)</u> | <u>-</u> | <u>(2,581,127)</u> |
| Non-instructional programs: | | | | | | |
| Community service operations | 599 | - | - | (599) | - | (599) |
| Other expenses: | | | | | | |
| Long-term debt interest | 22,509 | - | - | (22,509) | - | (22,509) |
| AEA flowthrough | 297,726 | - | 297,726 | - | - | - |
| Depreciation(unallocated)* | 179,180 | - | - | (179,180) | - | (179,180) |
| | <u>499,415</u> | <u>-</u> | <u>297,726</u> | <u>(201,689)</u> | <u>-</u> | <u>(201,689)</u> |
| Total governmental activities | <u>8,050,307</u> | <u>455,379</u> | <u>1,281,398</u> | <u>(6,313,530)</u> | <u>-</u> | <u>(6,313,530)</u> |
| Business type activities: | | | | | | |
| Support services: | | | | | | |
| Day Care: | | | | | | |
| Student | 132 | 6,216 | - | - | 6,084 | 6,084 |
| Operation and maintenance of plant | 991 | - | - | - | (991) | (991) |
| | <u>1,123</u> | <u>6,216</u> | <u>-</u> | <u>-</u> | <u>5,093</u> | <u>5,093</u> |
| Non-instructional programs: | | | | | | |
| Day care operations | 145 | - | - | - | (145) | (145) |
| Food service operations | 328,447 | 176,383 | 191,821 | - | 39,757 | 39,757 |
| Other enterprise operations | 255 | - | - | - | (255) | (255) |
| | <u>328,847</u> | <u>176,383</u> | <u>191,821</u> | <u>-</u> | <u>39,357</u> | <u>39,357</u> |
| Total business type activities | <u>329,970</u> | <u>182,599</u> | <u>191,821</u> | <u>-</u> | <u>44,450</u> | <u>44,450</u> |
| Total | <u>\$ 8,380,277</u> | <u>637,978</u> | <u>1,473,219</u> | <u>(6,313,530)</u> | <u>44,450</u> | <u>(6,269,080)</u> |
| General Revenues: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | | | | \$ 2,561,777 | - | 2,561,777 |
| Capital outlay | | | | 125,551 | - | 125,551 |
| Income surtax | | | | 275,828 | - | 275,828 |
| Statewide sales and services tax | | | | 549,169 | - | 549,169 |
| Unrestricted state grants | | | | 3,509,034 | - | 3,509,034 |
| Nonspecific program federal grants | | | | 228,635 | - | 228,635 |
| Unrestricted investment earnings | | | | 34,741 | 241 | 34,982 |
| Other general revenues | | | | 233,861 | 2,688 | 236,549 |
| Total general revenues | | | | <u>7,518,596</u> | <u>2,929</u> | <u>7,521,525</u> |
| Changes in net assets | | | | 1,205,066 | 47,379 | 1,252,445 |
| Net assets beginning of year | | | | 8,591,455 | 21,550 | 8,613,005 |
| Net assets end of year | | | | <u>\$ 9,796,521</u> | <u>68,929</u> | <u>9,865,450</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

| | General | Capital Projects | Debt Service | Nonmajor Special Revenue Funds | Total |
|--|---------------------|---------------------|-----------------|---|------------------|
| ASSETS | | | | | |
| Cash and pooled investments | \$ 1,457,802 | 861,622 | 786,124 | 156,584 | 3,262,132 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 57,983 | 2,909 | - | 2,352 | 63,244 |
| Succeeding year | 2,465,451 | 125,732 | - | 60,135 | 2,651,318 |
| Income surtax | 278,722 | - | - | - | 278,722 |
| Accounts | 2,908 | - | - | 286 | 3,194 |
| Due from other governments | 270,317 | 257,068 | - | - | 527,385 |
| TOTAL ASSETS | \$ 4,533,183 | 1,247,331 | 786,124 | 219,357 | 6,785,995 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 1,889 | - | - | 180 | 2,069 |
| Salaries and benefits payable | 624,411 | - | - | - | 624,411 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 2,465,451 | 125,732 | - | 60,135 | 2,651,318 |
| Income surtax | 278,722 | - | - | - | 278,722 |
| Other | 1,461 | - | - | - | 1,461 |
| Total liabilities | <u>3,371,934</u> | <u>125,732</u> | <u>-</u> | <u>60,315</u> | <u>3,557,981</u> |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Categorical funding | 409,491 | - | - | - | 409,491 |
| Debt service | - | - | 786,124 | - | 786,124 |
| Management levy purposes | - | - | - | 92,445 | 92,445 |
| Student activities | - | - | - | 75,903 | 75,903 |
| School infrastructure | - | 1,093,095 | - | - | 1,093,095 |
| Physical plant and equipment levy | - | 28,504 | - | - | 28,504 |
| Unassigned | | | | | |
| General fund | 751,758 | - | - | - | 751,758 |
| Student activities | - | - | - | (9,306) | (9,306) |
| Total fund balances | <u>1,161,249</u> | <u>1,121,599</u> | <u>786,124</u> | <u>159,042</u> | <u>3,228,014</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 4,533,183 | 1,247,331 | 786,124 | 219,357 | 6,785,995 |

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

| | | |
|---|-----------|-------------------------|
| Total fund balances of governmental funds(page 20) | \$ | 3,228,014 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. | | 7,404,430 |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. | | 278,722 |
| 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. | | (2,645) |
| Long-term liabilities, including bonds payable, qualified zone academy bonds payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | <u>(1,112,000)</u> |
| Net assets of governmental activities(page 18) | \$ | <u>9,796,521</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

| | General | Capital Projects | Debt Service | Nonmajor Special Revenue Funds | Total |
|---|---------------------|---------------------|-----------------|---|------------------|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 2,742,915 | 674,720 | - | 100,271 | 3,517,906 |
| Tuition | 267,002 | - | - | - | 267,002 |
| Other | 258,771 | 14,280 | 13,480 | 189,951 | 476,482 |
| State sources | 3,971,390 | - | - | - | 3,971,390 |
| Federal sources | 1,028,174 | - | - | - | 1,028,174 |
| Total revenues | <u>8,268,252</u> | <u>689,000</u> | <u>13,480</u> | <u>290,222</u> | <u>9,260,954</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 2,844,155 | 5,162 | - | 203,881 | 3,053,198 |
| Special | 851,299 | - | - | - | 851,299 |
| Other | 807,196 | - | - | 142,745 | 949,941 |
| | <u>4,502,650</u> | <u>5,162</u> | <u>-</u> | <u>346,626</u> | <u>4,854,438</u> |
| Support services: | | | | | |
| Student | 136,032 | - | - | - | 136,032 |
| Instructional staff | 167,961 | - | - | 12,119 | 180,080 |
| Administration | 1,009,681 | 4,734 | - | 94,215 | 1,108,630 |
| Operation and maintenance of plant | 524,550 | 23,098 | - | 24,076 | 571,724 |
| Transportation | 641,296 | 163,884 | - | 10,544 | 815,724 |
| | <u>2,479,520</u> | <u>191,716</u> | <u>-</u> | <u>140,954</u> | <u>2,812,190</u> |
| Non-instructional programs: | | | | | |
| Community service operations | 599 | - | - | - | 599 |
| Other expenditures: | | | | | |
| Facilities acquisitions | - | 149,025 | - | - | 149,025 |
| Long-term debt: | | | | | |
| Principal | - | - | 250,000 | - | 250,000 |
| Interest and fiscal charges | - | - | 23,687 | - | 23,687 |
| AEA flowthrough | 297,726 | - | - | - | 297,726 |
| | <u>297,726</u> | <u>149,025</u> | <u>273,687</u> | <u>-</u> | <u>720,438</u> |
| Total expenditures | <u>7,280,495</u> | <u>345,903</u> | <u>273,687</u> | <u>487,580</u> | <u>8,387,665</u> |
| Excess(Deficiency)of revenues over(under) expenditures | 987,757 | 343,097 | (260,207) | (197,358) | 873,289 |
| Other financing sources(uses): | | | | | |
| Proceeds from the sale of equipment | 5,058 | - | - | - | 5,058 |
| Transfer in | 120,593 | - | 318,918 | - | 439,511 |
| Transfer out | - | (439,511) | - | - | (439,511) |
| Total other financing sources(uses) | <u>125,651</u> | <u>(439,511)</u> | <u>318,918</u> | <u>-</u> | <u>5,058</u> |
| Net change in fund balances | 1,113,408 | (96,414) | 58,711 | (197,358) | 878,347 |
| Fund balance beginning of year, as restated | 47,841 | 1,218,013 | 727,413 | 356,400 | 2,349,667 |
| Fund balance end of year | <u>\$ 1,161,249</u> | <u>1,121,599</u> | <u>786,124</u> | <u>159,042</u> | <u>3,228,014</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2011

| | | |
|--|------------|---------------------|
| Net change in fund balances - total governmental funds(page 22) | | \$ 878,347 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows: | | |
| Capital outlays | \$ 232,841 | |
| Depreciation expense | (346,344) | (113,503) |
| | | |
| Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | 250,000 |
| Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. | | (5,581) |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. | | 1,178 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows: | | |
| Early retirement | 228,736 | |
| Other postemployment benefits | (34,111) | 194,625 |
| | | |
| Changes in net assets of governmental activities(page 19) | | \$ 1,205,066 |

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

| | <u>School</u> <u>Nutrition</u> |
|--|-----------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 39,817 |
| Due from other governments | 28,746 |
| Inventories | 11,713 |
| Capital assets, net of accumulated depreciation | <u>17,116</u> |
| Total assets | <u>97,392</u> |
| LIABILITIES | |
| Accounts payable | 546 |
| Salaries and benefits payable | 23,213 |
| Unearned revenue | <u>4,704</u> |
| Total liabilities | <u>28,463</u> |
| NET ASSETS | |
| Invested in capital assets | 17,116 |
| Unrestricted | <u>51,813</u> |
| Total net assets | <u>\$ 68,929</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

| | School Nutrition | Day Care | Total |
|---|---------------------|-------------|-----------|
| OPERATING REVENUE: | | | |
| Local sources: | | | |
| Charges for services | \$ 176,383 | 6,216 | 182,599 |
| Miscellaneous | 2,688 | - | 2,688 |
| TOTAL OPERATING REVENUES | 179,071 | 6,216 | 185,287 |
| OPERATING EXPENSES: | | | |
| Support services: | | | |
| Student: | | | |
| Other | - | 132 | 132 |
| | - | 132 | 132 |
| Operation and maintenance of plant services: | | | |
| Services | - | 555 | 555 |
| Supplies | - | 436 | 436 |
| | - | 991 | 991 |
| Total support services | - | 1,123 | 1,123 |
| Non-instructional programs: | | | |
| Food service operations: | | | |
| Salaries | 128,482 | - | 128,482 |
| Benefits | 15,266 | - | 15,266 |
| Services | 2,587 | - | 2,587 |
| Supplies | 177,606 | 145 | 177,751 |
| Depreciation | 4,506 | - | 4,506 |
| | 328,447 | 145 | 328,592 |
| Other enterprise operations: | | | |
| Services | - | 255 | 255 |
| Total non-instructional programs | 328,447 | 400 | 328,847 |
| TOTAL OPERATING EXPENSES | 328,447 | 1,523 | 329,970 |
| OPERATING INCOME (LOSS) | (149,376) | 4,693 | (144,683) |
| NON-OPERATING REVENUES: | | | |
| Transfer in | - | 120,593 | 120,593 |
| Transfer out | - | (120,593) | (120,593) |
| State sources | 4,021 | - | 4,021 |
| Federal sources | 183,673 | 4,127 | 187,800 |
| Interest income | 241 | - | 241 |
| TOTAL NON-OPERATING REVENUES | 187,935 | 4,127 | 192,062 |
| Change in net assets | 38,559 | 8,820 | 47,379 |
| Net assets beginning of year | 30,370 | (8,820) | 21,550 |
| Net assets end of year | \$ 68,929 | - | 68,929 |

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

| | School Nutrition | Day Care | Total |
|---|---------------------|-------------|-----------|
| Cash flows from operating activities: | | | |
| Cash received from sale of lunches and breakfasts | \$ 177,669 | - | 177,669 |
| Cash received from miscellaneous operating activities | 2,688 | 6,216 | 8,904 |
| Cash payments to employees for services | (145,283) | (11,440) | (156,723) |
| Cash payments to suppliers for goods or services | (157,983) | (713) | (158,696) |
| Net cash used in operating activities | (122,909) | (5,937) | (128,846) |
| Cash flows from non-capital financing activities: | | | |
| Transfer in from PPEL Fund | - | 120,593 | 120,593 |
| Transfer out to General Fund | - | (120,593) | (120,593) |
| State grants received | 4,021 | - | 4,021 |
| Federal grants received | 137,419 | 5,937 | 143,356 |
| Net cash provided by non-capital financing activities | 141,440 | 5,937 | 147,377 |
| Cash flows from investing activities: | | | |
| Interest on investments | 241 | - | 241 |
| Net increase in cash and cash equivalents | 18,772 | - | 18,772 |
| Cash and cash equivalents at beginning of year | 21,045 | - | 21,045 |
| Cash and cash equivalents at end of year | \$ 39,817 | - | 39,817 |
| Reconciliation of operating income(loss) to net cash used in operating activities: | | | |
| Operating income(loss) | \$ (149,376) | 4,693 | (144,683) |
| Adjustments to reconcile operating income(loss) to net cash used in operating activities: | | | |
| Commodities consumed | 21,550 | - | 21,550 |
| Depreciation | 4,506 | - | 4,506 |
| Decrease in inventories | 114 | - | 114 |
| Increase in accounts payable | 546 | - | 546 |
| (Decrease)Increase in salaries and benefits | 1,918 | (10,630) | (8,712) |
| Increase in unearned revenue | 1,286 | - | 1,286 |
| Decrease in other postemployment benefits | (3,453) | - | (3,453) |
| Net cash used in operating activities | \$ (122,909) | (5,937) | (128,846) |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$21,550.

SEE NOTES TO FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for 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 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

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 expenses, including instructional, support and other costs.

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

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

The District reports the following proprietary funds:

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

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

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

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

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

Under 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds 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 Balance

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment 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.

| Asset Class | Amount |
|---------------------------------|----------|
| Land | \$ 1,500 |
| Buildings | 1,500 |
| Land improvements | 1,500 |
| Intangible assets | 25,000 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 2,000 |

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

| Asset Class | Estimated Useful Lives (In Years) |
|-------------------------|---|
| Buildings | 50 years |
| Land improvements | 20 years |
| Intangible assets | 5-20 years |
| Machinery 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition 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, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$31,997 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) **Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|-------------------------|---|--------------------------|
| Debt Service | Capital Projects: Physical Plant and Equipment Levy | \$ 29,214 |
| Debt Service | Capital Projects: Statewide Sales, Services and Use Tax | 289,704 |
| Enterprise, Day Care | Capital Projects: Physical Plant and Equipment Levy | 120,593 |
| General | Enterprise, Day Care | <u>120,593</u> |
| Total | | <u><u>\$ 560,104</u></u> |

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for the QZAB annual bond payment.

The Capital Projects: Statewide Sales, Services and Use Tax Fund transferred money to the Debt Service Fund for the general obligation bond payment.

The transfers from the Capital Projects: Physical Plant and Equipment Levy Fund to the Enterprise, Daycare Fund as well as the transfer from the Enterprise, Daycare Fund to the General Fund were needed by the recommendation given by the State Board of Appeals and the School Budget Review Committee as an acceptable solution to close out the District's Daycare Fund.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

| | Balance Beginning of of Year | Increases | Decreases | Balance End of Year |
|--|------------------------------------|------------------|----------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 19,165 | - | - | 19,165 |
| Total capital assets not being depreciated | <u>19,165</u> | <u>-</u> | <u>-</u> | <u>19,165</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 8,856,704 | 43,375 | - | 8,900,079 |
| Land improvements | 121,180 | - | - | 121,180 |
| Machinery and equipment | 1,928,820 | 189,466 | 153,722 | 1,964,564 |
| Total capital assets being depreciated | <u>10,906,704</u> | <u>232,841</u> | <u>153,722</u> | <u>10,985,823</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,893,223 | 173,121 | - | 2,066,344 |
| Land improvements | 26,262 | 6,059 | - | 32,321 |
| Machinery and equipment | 1,488,451 | 167,164 | 153,722 | 1,501,893 |
| Total accumulated depreciation | <u>3,407,936</u> | <u>346,344</u> | <u>153,722</u> | <u>3,600,558</u> |
| Total capital assets being depreciated, net | <u>7,498,768</u> | <u>(113,503)</u> | <u>-</u> | <u>7,385,265</u> |
| Governmental activities capital assets, net | <u>\$ 7,517,933</u> | <u>(113,503)</u> | <u>-</u> | <u>7,404,430</u> |
| | | | | |
| | Balance Beginning of of Year | Increases | Decreases | Balance End of Year |
| Business type activities: | | | | |
| Machinery and equipment | \$ 114,982 | - | - | 114,982 |
| Less accumulated depreciation | 93,360 | 4,506 | - | 97,866 |
| Business-type activities capital assets, net | <u>\$ 21,622</u> | <u>(4,506)</u> | <u>-</u> | <u>17,116</u> |

Depreciation expense was charged by the District as follows:

| | | | |
|--|--|----|---------|
| Governmental activities: | | | |
| Instruction: | | | |
| Regular instruction | | \$ | 5,343 |
| Support services: | | | |
| Administration | | | 24,569 |
| Operation of plant and maintenance | | | 2,540 |
| Transportation | | | 134,712 |
| Administration | | | 167,164 |
| Unallocated depreciation | | | 179,180 |
| Total governmental activities depreciation expense | | \$ | 346,344 |
| Business type activities: | | | |
| Food service operations | | \$ | 4,506 |

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|------------------------------|---------------------------------|-----------|------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| General Obligation Bonds | \$ 770,000 | - | 250,000 | 520,000 | 255,000 |
| Qualified Zone Academy Bonds | 500,000 | - | - | 500,000 | - |
| Early retirement | 228,736 | - | 228,736 | - | - |
| Net OPEB liability | 57,889 | 34,111 | - | 92,000 | - |
| Total | \$ 1,556,625 | 34,111 | 478,736 | 1,112,000 | 255,000 |
| Business type activities: | | | | | |
| Net OPEB liability | \$ 3,453 | - | 3,453 | - | - |

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Bond issue dated April 3, 2008 | | | Bond issue dated April 1, 2003 | | | Total | | |
|----------------------------|--------------------------------|------------|----------|--------------------------------|-----------|----------|------------|----------|---------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest | Principal | Interest | Total |
| 2012 | 2.95 % | \$ 220,000 | 13,505 | 3.25 | 35,000 | 2,363 | \$ 255,000 | 15,868 | 270,868 |
| 2013 | 3.05 | 230,000 | 7,015 | 3.50 | 35,000 | 1,225 | 265,000 | 8,240 | 273,240 |
| Total | | \$ 450,000 | 20,520 | | \$ 70,000 | 3,588 | \$ 520,000 | 24,108 | 544,108 |

Qualified Zone Academy Bonds

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

Early Retirement

In the previous year, the District offered a voluntary early retirement plan to its' full-time employees. Eligible employees had to be at least age fifty-five and completed twenty years of continuous service to the District. Employees had to complete an application that was subject to approval by the Board of Education. Early retirement incentives paid by the District included the premiums for a single health insurance coverage policy. During the year ended June 30, 2011, the District paid \$228,736 in early retirement benefits.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$329,187, \$357,121 and \$324,280, respectfully, equal to the required contributions for the year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical, prescription drug, and dental benefits for retirees and their spouses. There are 133 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical, prescription drug, and dental coverage are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical, prescription drug, and dental benefits 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|-------------------------|
| Annual required contribution | \$ 54,000 |
| Interest on net OPEB obligation | 3,000 |
| Adjustment to annual required contribution | (2,342) |
| Annual OPEB cost | <u>54,658</u> |
| Contributions made | (24,000) |
| Increase in net OPEB obligation | <u>30,658</u> |
| Net OPEB obligation beginning of year | <u>61,342</u> |
| Net OPEB obligation end of year | <u><u>\$ 92,000</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2011.

For the year ended June 30, 2011, the District contributed \$24,000 to the medical plan. Plan members eligible for benefits contributed \$40,000, or 62.50% 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, 2011 are summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2009 | 62,000 | 45.16% | 34,000 |
| 2010 | 62,342 | 56.14% | 61,342 |
| 2011 | 54,658 | 43.91% | 92,000 |

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$467,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$467,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2,805,464, and the ratio of the UAAL to covered payroll was 16.65%. As of June 30, 2011, 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 July 1, 2010 actuarial valuation date, the unit credit actuarial cost 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 0.5% 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 IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$809 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$297,726 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2011 are comprised of the following projects:

| <u>Project</u> | <u>Amount</u> |
|--------------------------------|-------------------|
| LEP Weighting | \$ 2,489 |
| Home School Assistance Program | 95,840 |
| At-Risk Supplemental Weighting | 25,665 |
| Dropout and Dropout Prevention | 40,025 |
| Gifted and Talented | 70,242 |
| Statewide Voluntary Preschool | 69,933 |
| Beginning Teacher Mentoring | 1,300 |
| Teacher Salary Supplement | 37,971 |
| Core Curriculum | 23,948 |
| Teacher Development Academy | 4,645 |
| Professional Development | 36,152 |
| Market Factor | 1,281 |
| Total | <u>\$ 409,491</u> |

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

| | <u>Capital Projects</u> | <u>Special Revenue, Physical Plant and Equipment Levy</u> |
|--|-----------------------------|---|
| Balances June 30, 2010, as previously reported | \$ 290,771 | 24,075 |
| Changes in fund type classification per implementation of GASB Statement No. 54 | 24,075 | (24,075) |
| Balances July 1, 2010, as restated | <u>\$ 314,846</u> | <u>-</u> |

Van Buren Community School District

REQUIRED SUPPLEMENTARY INFORMATION

VAN BUREN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

| | Governmental | Proprietary | Total | Budgeted Amounts | | Final to |
|---|--------------|-------------|-----------|------------------|-------------|-------------|
| | Fund Types | Fund Type | | Original | Final | Actual |
| | Actual | Actual | | | | Actual |
| Revenues: | | | | | | |
| Local sources | \$ 4,261,390 | 185,528 | 4,446,918 | 4,362,361 | 4,362,361 | 84,557 |
| State sources | 3,971,390 | 4,021 | 3,975,411 | 4,602,127 | 4,602,127 | (626,716) |
| Federal sources | 1,028,174 | 187,800 | 1,215,974 | 1,358,000 | 1,358,000 | (142,026) |
| Total revenues | 9,260,954 | 377,349 | 9,638,303 | 10,322,488 | 10,322,488 | (684,185) |
| Expenditures/expenses: | | | | | | |
| Instruction | 4,854,438 | - | 4,854,438 | 5,688,872 | 5,688,872 | 834,434 |
| Support services | 2,812,190 | 1,123 | 2,813,313 | 3,973,312 | 3,973,312 | 1,159,999 |
| Non-instructional programs | 599 | 328,847 | 329,446 | 550,720 | 550,720 | 221,274 |
| Other expenditures | 720,438 | - | 720,438 | 1,853,569 | 1,853,569 | 1,133,131 |
| Total expenditures/expenses | 8,387,665 | 329,970 | 8,717,635 | 12,066,473 | 12,066,473 | 3,348,838 |
| Excess of revenues over expenditures | 873,289 | 47,379 | 920,668 | (1,743,985) | (1,743,985) | (2,664,653) |
| Other financing uses, net | 5,058 | - | 5,058 | - | - | (5,058) |
| Excess of revenues and other financing uses over expenditures/expenses and other financing uses | 878,347 | 47,379 | 925,726 | (1,743,985) | (1,743,985) | (2,669,711) |
| Balance beginning of year | 2,349,667 | 21,550 | 2,371,217 | 3,167,906 | 3,167,906 | (796,689) |
| Balance end of year | \$ 3,228,014 | 68,929 | 3,296,943 | 1,423,921 | 1,423,921 | 1,873,022 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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. 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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

| For Year Ended June 30, | 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) |
|-------------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|-----------------------|---|
| 2009 | July 1, 2008 | \$ - | \$ 532,000 | \$ 532,000 | 0.0 % | \$ 3,304,996 | 16.10% |
| 2010 | July 1, 2008 | - | 532,000 | 532,000 | 0.0 | 5,022,320 | 10.59% |
| 2011 | July 1, 2010 | - | 467,000 | 467,000 | 0.0 | 2,805,464 | 16.65% |

See Note 7 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 BUREN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2011

| | Special Revenue | | |
|--|-------------------------|---------------------|----------------|
| | Manage- ment Levy | Student Activity | Total |
| ASSETS | | | |
| Cash and pooled investments | \$ 90,093 | 66,491 | 156,584 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 2,352 | - | 2,352 |
| Succeeding year | 60,135 | - | 60,135 |
| Accounts | - | 286 | 286 |
| TOTAL ASSETS | \$ 152,580 | 66,777 | 219,357 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | 180 | 180 |
| Deferred revenue: | | | |
| Succeeding year property tax | 60,135 | - | 60,135 |
| Total liabilities | 60,135 | 180 | 60,315 |
| Fund balances: | | | |
| Restricted for: | | | |
| Management levy purposes | 92,445 | - | 92,445 |
| Student activities | - | 75,903 | 75,903 |
| Unassigned | - | (9,306) | (9,306) |
| Total fund balances | 92,445 | 66,597 | 159,042 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 152,580 | 66,777 | 219,357 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2011

| | Special Revenue | | |
|---|-------------------------|---------------------|-----------|
| | Manage- ment Levy | Student Activity | Total |
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ 100,271 | - | 100,271 |
| Other | 13,240 | 176,711 | 189,951 |
| Total revenues | 113,511 | 176,711 | 290,222 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 203,881 | - | 203,881 |
| Other | - | 142,745 | 142,745 |
| Support services: | | | |
| Instructional staff | 12,119 | - | 12,119 |
| Administration | 94,215 | - | 94,215 |
| Operation and maintenance of plant | 24,076 | - | 24,076 |
| Student transportation | 10,544 | - | 10,544 |
| Total expenditures | 344,835 | 142,745 | 487,580 |
| Net change in fund balances | (231,324) | 33,966 | (197,358) |
| Fund balance beginning of year, as restated | 323,769 | 32,631 | 356,400 |
| Fund balance end of year | \$ 92,445 | 66,597 | 159,042 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2011

| | Capital Projects | | |
|--|--|--|------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Assets | | | |
| Cash and pooled investments | \$ 836,027 | 25,595 | 861,622 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 2,909 | 2,909 |
| Succeeding year | - | 125,732 | 125,732 |
| Due from other governments | 257,068 | - | 257,068 |
| Total Assets | \$ 1,093,095 | 154,236 | 1,247,331 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Deferred revenue: | | | |
| Succeeding year property tax | \$ - | 125,732 | 125,732 |
| Total liabilities | - | 125,732 | 125,732 |
| Fund balances: | | | |
| Restricted for: | | | |
| School infrastructure | 1,093,095 | - | 1,093,095 |
| Physical plant and equipment levy | - | 28,504 | 28,504 |
| Total fund balances | 1,093,095 | 28,504 | 1,121,599 |
| Total Liabilities and Fund Balances | \$ 1,093,095 | 154,236 | 1,247,331 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

| | Capital Projects | | |
|---|--|--|------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ 549,169 | 125,551 | 674,720 |
| Other | 12,997 | 1,283 | 14,280 |
| Total revenues | <u>562,166</u> | <u>126,834</u> | <u>689,000</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 5,162 | - | 5,162 |
| Support services: | | | |
| Administration | 4,734 | - | 4,734 |
| Operation and maintenance of plant | - | 23,098 | 23,098 |
| Transportation | 162,467 | 1,417 | 163,884 |
| Other expenditures: | | | |
| Facilities acquisitions | - | 149,025 | 149,025 |
| Total expenditures | <u>172,363</u> | <u>173,540</u> | <u>345,903</u> |
| Excess(Deficiency)of revenues over(under) expenditures | 389,803 | (46,706) | 343,097 |
| Other financing uses: | | | |
| Transfer out | <u>(289,704)</u> | <u>(149,807)</u> | <u>(439,511)</u> |
| Net change in fund balances | 100,099 | (196,513) | (96,414) |
| Fund balance beginning of year, as restated | <u>992,996</u> | <u>225,017</u> | <u>1,218,013</u> |
| Fund balance end of year | <u>\$ 1,093,095</u> | <u>28,504</u> | <u>1,121,599</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|---------------------------------|---------------------------------|---------------|-------------------|---------------------------|
| Athletics: | | | | |
| General Athletics | \$ (3,558) | 41,469 | 36,457 | 1,454 |
| Total Athletics | <u>(3,558)</u> | <u>41,469</u> | <u>36,457</u> | <u>1,454</u> |
| Clubs and Organizations: | | | | |
| Yearbook | 2,612 | 9,802 | 3,671 | 8,743 |
| The Udder Choice | 1,288 | 2,305 | 3,593 | - |
| Concession Enterprises | 1,258 | 11,409 | 11,956 | 711 |
| Cross Country | 215 | 556 | 771 | - |
| Drama | 2,903 | 3,270 | 3,166 | 3,007 |
| FCCLA | 547 | 164 | 57 | 654 |
| Football | 3,695 | 846 | 4,049 | 492 |
| FFA | 344 | 6,137 | 4,838 | 1,643 |
| Industrial Arts | 1,806 | - | 1,806 | - |
| Art Club | 1,586 | 560 | 85 | 2,061 |
| Magazine Sales | - | 3,282 | 2,054 | 1,228 |
| Boys Track Fundraising | 614 | 2,219 | 1,214 | 1,619 |
| National Honor Society | 683 | 431 | 833 | 281 |
| Golf Fundraiser | 12 | - | - | 12 |
| Rhythm Squad | 2,176 | 3,171 | 2,760 | 2,587 |
| Softball | (2,931) | 4,766 | 810 | 1,025 |
| Baseball Fundraising | 869 | 1,690 | 3,376 | (817) |
| Spanish Club | (1,523) | - | - | (1,523) |
| Student Council | (3,082) | 3,495 | 246 | 167 |
| Girls Track Fundraising | (778) | 1,208 | 376 | 54 |
| JEL | 70 | 1,045 | 970 | 145 |
| Rachel's Challenge | 580 | 58 | 204 | 434 |
| Young Inventors | (318) | 318 | - | - |
| Wrestling Fundraising | 748 | 520 | 412 | 856 |
| Volleyball Fundraising | (478) | 2,484 | 2,009 | (3) |
| Wrestling Cheerleaders | (1,474) | 1,464 | - | (10) |
| Boys Basketball Fundraising | 1,675 | 1,379 | 1,259 | 1,795 |
| Girls Basketball Fundraising | 991 | 875 | 1,684 | 182 |
| Football Cheerleaders | 571 | 975 | 540 | 1,006 |
| Basketball Cheerleaders | 733 | 1,079 | 1,401 | 411 |
| Total Clubs and Organizations | <u>15,392</u> | <u>65,508</u> | <u>54,140</u> | <u>26,760</u> |
| Classes: | | | | |
| Class of 2009 | 50 | - | 50 | - |
| Class of 2010 | (327) | 327 | - | - |
| Class of 2011 | 514 | 643 | 958 | 199 |
| Class of 2012 | 1,480 | 1,250 | 1,217 | 1,513 |
| Class of 2013 | 2,504 | 1,105 | - | 3,609 |
| Class of 2014 | 1,625 | 700 | - | 2,325 |
| Class of 2015 | 1,883 | 57 | 513 | 1,427 |
| Class of 2016 | 1,102 | - | - | 1,102 |
| Total Classes | <u>8,831</u> | <u>4,082</u> | <u>2,738</u> | <u>10,175</u> |

VAN BUREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

| Account | Balance End of Year | Revenues | Expendi- tures | Balance End of Year |
|----------------------------|---------------------------|----------|-------------------|---------------------------|
| Miscellaneous: | | | | |
| Interest | 25 | 43,514 | 32,964 | 10,575 |
| After Prom | - | 4,692 | 4,120 | 572 |
| Band | (2,931) | - | 2,519 | (5,450) |
| Chorus | 3,205 | 16,187 | 8,661 | 10,731 |
| Chorus/Band Fundraiser | (1,616) | 1,259 | 1,146 | (1,503) |
| Total Miscellaneous | (1,317) | 65,652 | 49,410 | 14,925 |
| Stockport Elementary: | | | | |
| Stockport Elementary | 3,285 | - | - | 3,285 |
| Total Stockport Elementary | 3,285 | - | - | 3,285 |
| Douds Elementary: | | | | |
| Douds Elementary | 9,998 | - | - | 9,998 |
| Total Douds Elementary | 9,998 | - | - | 9,998 |
| Grand Total | \$ 32,631 | 176,711 | 142,745 | 66,597 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2011

| | Debt Service - Schoolhouse | Debt Service - QZAB | Total |
|--|----------------------------------|---------------------------|----------------|
| ASSETS | | | |
| Cash and pooled investments | \$ 485,292 | 300,832 | 786,124 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | \$ - | - | - |
| Fund balances: | | | |
| Restricted for: | | | |
| Debt service | 485,292 | 300,832 | 786,124 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 485,292 | 300,832 | 786,124 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2011

| | Debt Service - Schoolhouse | Debt Service - QZAB | Total |
|--|----------------------------------|---------------------------|-----------|
| REVENUES: | | | |
| Local sources: | | | |
| Other | 5,133 | 8,347 | 13,480 |
| Total revenues | 5,133 | 8,347 | 13,480 |
| EXPENDITURES: | | | |
| Other expenditures: | | | |
| Long-term debt: | | | |
| Principal | 250,000 | - | 250,000 |
| Interest and fiscal charges | 23,687 | - | 23,687 |
| Total expenditures | 273,687 | - | 273,687 |
| Excess(Deficiency)of revenues over(under)expenditures | (268,554) | 8,347 | (260,207) |
| Other financing sources: | | | |
| Transfer in | 289,704 | 29,214 | 318,918 |
| Net change in fund balances | 21,150 | 37,561 | 58,711 |
| Fund balance beginning of year | 464,142 | 263,271 | 727,413 |
| Fund balance end of year | \$ 485,292 | 300,832 | 786,124 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|-----------------------------|---------------------------------|-----------|-----------|---------------------------|
| <u>AFTER PROM PARTY</u> | | | | |
| ASSETS | | | | |
| Cash and pooled investments | \$ 1,302 | - | 1,302 | - |
| LIABILITIES | | | | |
| Due to other groups | \$ 1,302 | - | 1,302 | - |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST SEVEN YEARS

| | Modified Accrual Basis | | | | | | |
|------------------------------------|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Years Ended June 30, | | | | | | |
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Revenues: | | | | | | | |
| Local sources: | | | | | | | |
| Local tax | \$ 3,517,906 | 3,278,663 | 3,197,618 | 3,126,418 | 3,179,100 | 3,250,277 | 2,895,547 |
| Tuition | 267,002 | 345,672 | 252,777 | 222,799 | 166,372 | 211,770 | 176,192 |
| Other | 476,482 | 257,557 | 374,009 | 434,974 | 407,840 | 474,432 | 330,392 |
| State sources | 3,971,390 | 3,461,520 | 4,061,582 | 4,305,337 | 3,928,194 | 3,943,463 | 3,691,297 |
| Federal sources | 1,028,174 | 1,319,502 | 1,032,806 | 1,534,805 | 1,881,611 | 1,785,221 | 1,013,094 |
| Total | \$ 9,260,954 | 8,662,914 | 8,918,792 | 9,624,333 | 9,563,117 | 9,665,163 | 8,106,522 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | \$ 3,053,198 | 3,098,414 | 3,210,087 | 3,340,406 | 2,858,666 | 2,809,494 | 3,056,021 |
| Special | 851,299 | 1,136,552 | 1,158,329 | 1,056,026 | 973,391 | 988,857 | 1,175,624 |
| Other | 949,941 | 1,061,867 | 966,280 | 982,738 | 1,047,846 | 1,059,783 | 716,290 |
| Support services: | | | | | | | |
| Student | 136,032 | 174,482 | 259,278 | 421,877 | 418,812 | 253,214 | 134,840 |
| Instructional staff | 180,080 | 244,470 | 325,575 | 327,129 | 560,370 | 333,161 | 142,072 |
| Administration | 1,108,630 | 1,048,959 | 1,125,560 | 1,150,891 | 1,175,818 | 1,126,076 | 733,788 |
| Operation and maintenance of plant | 571,724 | 607,111 | 702,860 | 693,692 | 618,791 | 635,398 | 501,670 |
| Transportation | 815,724 | 822,615 | 722,389 | 612,371 | 700,995 | 686,920 | 545,555 |
| Other | | - | - | - | - | - | 146,418 |
| Non-instructional programs | 599 | 12,742 | 1,442 | 5,320 | 647 | 1,907 | 28,950 |
| Other expenditures: | | | | | | | |
| Facilities acquisitions | 149,025 | 226,459 | 119,669 | 101,364 | 407,382 | 584,711 | 312,463 |
| Long-term debt: | | | | | | | |
| Principal | 250,000 | 240,000 | 235,000 | 215,000 | 210,000 | 195,000 | 190,000 |
| Interest and fiscal charges | 23,687 | 29,973 | 37,969 | 58,967 | 71,435 | 79,935 | 88,998 |
| AEA flow-through | 297,726 | 290,048 | 262,789 | 257,558 | 245,305 | 242,151 | 231,945 |
| Total | \$ 8,387,665 | 8,993,692 | 9,127,227 | 9,223,339 | 9,289,458 | 8,996,607 | 8,004,634 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | EXPENDITURES |
|--|----------------|-----------------|------------------|
| DIRECT: | | | |
| US DEPARTMENT OF HUMAN SERVICES: | | | |
| SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES - PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE | | | |
| | 93.243 | FY 11 | <u>50,236</u> |
| DRUG-FREE-COMMUNITIES SUPPORT PROGRAM | | | |
| | 93.276 | FY 11 | <u>123,710</u> |
| INDIRECT: | | | |
| US DEPARTMENT OF AGRICULTURE: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| SCHOOL NUTRITION CLUSTER PROGRAMS: | | | |
| SCHOOL BREAKFAST PROGRAM | | | |
| | 10.553 | FY 11 | 35,948 |
| NATIONAL SCHOOL LUNCH PROGRAM | | | |
| | 10.555 | FY 11 | 137,915 * |
| | | | <u>173,863</u> |
| CHILD AND ADULT CARE FOOD PROGRAM | | | |
| | 10.558 | FY 11 | <u>467</u> |
| TEAM NUTRITION GRANT | | | |
| | 10.574 | FY 11 | <u>9,810</u> |
| DEPARTMENT OF EDUCATION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| TITLE I CLUSTER: | | | |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | | | |
| | 84.010 | FY 10 | 4,899 |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | | | |
| | 84.010 | FY 11 | 148,243 |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT | | | |
| | 84.389 | FY 11 | 65,891 |
| | | | <u>219,033</u> |
| CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES | | | |
| | 84.048 | FY 11 | <u>10,901</u> |
| SPECIAL EDUCATION - GRANTS FOR INFANTS AND FAMILIES (PART C, INFANTS AND TODDLERS, AGE 0-2) | | | |
| | 84.181 | FY 11 | <u>928</u> |
| 21ST CENTURY COMMUNITY LEARNING CENTERS | | | |
| | 84.287 | FY 11 | <u>150,000</u> |
| RURAL EDUCATION ACHIEVEMENT PROGRAM (REAP) | | | |
| | 84.358 | FY 11 | <u>37,000</u> |
| ARRA STABILIZATION CLUSTER: | | | |
| ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT | | | |
| | 84.394 | FY 11 | <u>40,170</u> ** |
| ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - GOVERNMENT SERVICES, RECOVERY ACT | | | |
| | 84.397 | FY 11 | <u>35,830</u> ** |
| IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA) | | | |
| | 84.367 | FY 11 | <u>54,668</u> |

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | EXPENDITURES |
|---|----------------|-----------------|----------------------------|
| INDIRECT (CONTINUED): | | | |
| IOWA DEPARTMENT OF EDUCATION (CONTINUED): | | | |
| EDUCATION JOBS FUND | 84.410 | FY 11 | <u>152,635</u> |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA) | 84.369 | FY 11 | <u>4,498</u> |
| AREA EDUCATION AGENCY: | | | |
| SPECIAL EDUCATION - GRANTS TO STATES (PART B) | 84.027 | FY 11 | <u>39,326</u> |
| ENHANCING EDUCATION THROUGH TECHNOLOGY (TITLE II D) (E2T2) | 84.318 | FY 11 | <u>100</u> |
| DEPARTMENT OF HUMAN SERVICES: | | | |
| IOWA DEPARTMENT OF HUMAN SERVICES: | | | |
| CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND (DHS REIMBURSEMENTS) | 93.596 | FY 11 | <u>3,660</u> |
| TOTAL | | | <u><u>\$ 1,106,835</u></u> |

* -Includes \$21,550 in non-cash awards.

** -Total for ARRA stabilization cluster is \$76,000.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Van Buren Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Van Buren Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Buren Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Van Buren Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Van Buren 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 Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11, II-C-11 and II-D-11 to be significant deficiencies.

Compliance and Other Matters

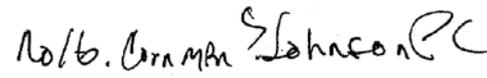
As part of obtaining reasonable assurance about whether Van Buren Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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 Buren Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Van Buren 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 Buren Community School District and other parties to whom Van Buren Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 10, 2012

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance in Accordance
with OMB Circular A-133

To the Board of Education of
Van Buren Community School District

Compliance

We have audited the compliance of Van Buren Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. Van Buren Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Van Buren Community School District's management. Our responsibility is to express an opinion on Van Buren Community School District's compliance based on our audit.

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

In our opinion, Van Buren Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

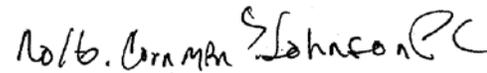
Internal Control Over Compliance

The management of Van Buren Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Van Buren Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Van Buren Community School District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 10, 2012

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered:
 - Title I Cluster:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies
 - Individual:
 - CFDA Number 84.287 - Twenty-First Century Community Learning Centers
 - CFDA Number 84.410 - Education Job Funds
 - CFDA Number 93.276 - Drug-Free-Communities Support Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Van Buren Community School District did not qualify as a low-risk auditee.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will continue to review our procedures and make adjustments as necessary.

Conclusion - Response accepted.

II-B-11 Receipting Procedures - We noted that the deposit slips for the Activity Fund lacked detail which made it very difficult to reconcile receipts back to the deposit slips.

Recommendation - The District could add on the deposit slip the receipts included, such as receipt #1-10. This would allow for an individual to be able to determine which receipts are included in the deposit. Also, a compensating control at month end could be to have an independent person who is reconciling the bank statement also reconcile that all money collected, for which a receipt was issued, was included in the deposit.

Response - We will add more detail to make deposit slips easier to reconcile with receipts.

Conclusion - Response accepted.

II-C-11 941 Filing - We noted during our audit that District did not file the first and second quarter 941 payroll reports in a timely manner. As a result the District had to pay late filing penalties to the IRS.

Recommendation - The District should review its procedures to ensure that 941 quarterly reports are filed timely.

Response - We will review and make adjustments to our procedures to ensure timely filings.

Conclusion - Response accepted.

II-D-11 Payroll Procedures - We noted during our audit that the District is currently paying bus drivers who work nine months over a twelve month period.

Recommendation - We recommend that the District pay hourly staff for the number of hours worked each month rather than an average over 12 months. This eliminates any potential issues that may arise that would require adjustments.

Response - We will look at converting our hourly employees pay to actual time worked each month rather than an average over 12 months.

Conclusion - Response accepted.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that board minutes were not always published timely.

Recommendation - Chapter 279.35-36 of the Code of Iowa requires that board minutes be published within two weeks following the adjournment of the meeting. The District should review its procedures to ensure that board minutes are published timely.

Response - We will review and make adjustments to our process to ensure timely publication of minutes.

Conclusion - Response accepted.

IV-G-11 Certified Enrollment - We noted a variances in the basic enrollment data certified to the Department of Education of 9.0 students that were funded but later reported as not enrolled on count date resulting in an overstatement of enrollment.

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

Response - The District will contact the Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

| | | | |
|-----------------------------|----|---------|-------------------------|
| Beginning Balance | | \$ | 992,996 |
| Revenues: | | | |
| Sales tax revenues | \$ | 549,169 | |
| Other local revenues | | 12,997 | 562,166 |
| | | | <u>1,555,162</u> |
| Expenditures/transfers out: | | | |
| Equipment | | 167,629 | |
| Other | | 4,734 | |
| Transfers to other funds: | | | |
| Debt service fund | | 289,704 | 462,067 |
| | | | <u>462,067</u> |
| Ending balance | | \$ | <u><u>1,093,095</u></u> |

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

| | <u>Per \$1000 of Taxable Valuation</u> | <u>Property Tax Dollars</u> |
|-----------------------------------|--|---------------------------------|
| Physical Plant and Equipment Levy | \$ 0.33000 | \$ 61,928 |

IV-M-11 Financial Condition - The District had five accounts in the Special Revenue, Student Activity Fund with deficit balances at June 30, 2011 totaling \$9,306.

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

Response - We will monitor activity accounts more closely to ensure positive balances.

Conclusion - Response accepted.

IV-N-11 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check from Community First Bank for the Student Activity Fund.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We will contact Community First Bank to ensure images of back and front of cancelled checks with monthly statements.

Conclusion - Response accepted.