

VAN METER COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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VAN METER COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before September 2011 Election)		
Liz Thompson	President	2013
Maureen Fisher	Vice President	2011
Brian Gordan	Board Member	2013
Lance Lauterbach	Board Member	2013
John Seefeld	Board Member	2011

(After September 2011 Election)

Liz Thompson	President	2013
Jim Folkerts	Vice President	2015
Brian Gordan	Board Member	2013
Lance Lauterbach	Board Member	2013
Dan Koster	Board Member	2015

School Officials

John Carver	Superintendent
Shonna Trudo	District Secretary/Treasurer

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Certified Public Accountants

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Van Meter Community School District, Van Meter, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Van Meter Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 8, 2013 on our consideration of Van Meter Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Van Meter Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein). We did not issue an opinion on the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. The financial statements for the five years ended June 30, 2008, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 8, 2013

Van Meter Community School District

Management Discussion and Analysis

For the Year Ending June 30, 2012

Van Meter Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The District's general fund unassigned balance increased from \$935,416 in 2011 to \$1,629,701 in 2012. This increased the solvency ratio between years from 16.85% to 27.37%. After three years of general fund expenses decreasing from 2009 to 2011, expenses increased by approximately 5.5% in 2012. Additional staff were conservatively added back to serve the needs of the students after cuts were made in personnel over the past years. The district continued the cash reserve levy of just over \$550,000 to help pay for the additional costs.
- The all weather track and amenities construction project started in June 2011 was completed in the fall of 2012. The district began making payments according to the debt service schedule toward the \$925,000 of Capital Loan Notes issued to pay for this building project. These notes will be paid off in 2018.

Using This Annual Report

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Van Meter Community School District Annual Financial Report

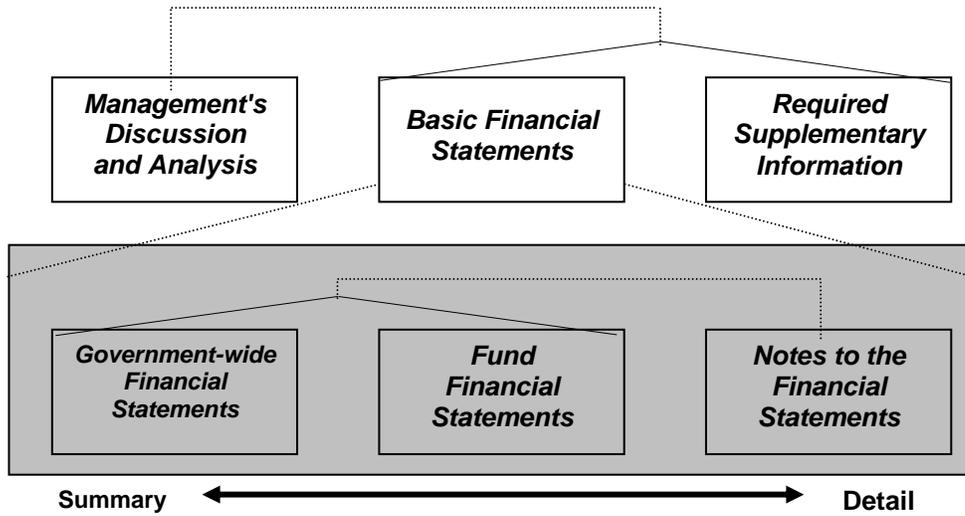


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

Reporting The District’s Financial Activities

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District does not currently have any of these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.
- The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The only fiduciary fund for the District is the twenty-five percent of Dallas County SILO proceeds that the City of Van Meter is entitled to. As agreed upon in a 28E Agreement, the District receives a monthly payment from Dallas County for SILO, and then the District passes along 25% to the City of Van Meter. This agreement with the City of Van Meter is set to expire in December 2013.

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

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

Government-Wide Financial Analysis

Condensed Statement of Net Assets – Figure A-3 below provides a comparison of the District’s net assets for the year ending June 30, 2012 as compared to the prior year (2011).

Summary of Net Assets
June 30, 2012

Figure A-3

	Governmental Activities		Business-Type Activities		Totals		%
	2,012	2,011	2,012	2,011	2,012	2,011	
Current and Other Assets	6,178,933	6,608,394	6,819	6,218	6,185,752	6,614,612	-6%
<u>Capital Assets</u>	<u>8,471,595</u>	<u>8,492,579</u>	<u>15,663</u>	<u>9,167</u>	<u>8,487,258</u>	<u>8,501,746</u>	<u>0%</u>
Total Assets	14,650,528	15,100,973	22,482	15,385	14,673,010	15,116,358	-3%
Current Liabilities	3,664,273	4,409,350	10,072	13,265	3,674,345	4,422,615	-17%
<u>Long Term Liabilities</u>	<u>3,779,664</u>	<u>4,584,479</u>	<u>262</u>	<u>37</u>	<u>3,779,926</u>	<u>4,584,516</u>	<u>-18%</u>
Total Liabilities	7,443,937	8,993,829	10,334	13,302	7,454,271	9,007,131	-17%
Net Assets							
Invested in Capital Assets,							
(net of related debt)	4,868,735	4,593,237	15,663	9,167	4,884,398	4,602,404	6%
Restricted for:							
Categorical Funding	92,126	73,380			92,126	73,380	26%
PPEL	8,612	27,037			8,612	27,037	-68%
Other Special Revenue	74,820	51,165			74,820	51,165	46%
Capital Projects	557,057	505,383			557,057	505,383	10%
Debt Service	9,953	3,860			9,953	3,860	158%
<u>Unrestricted</u>	<u>1,595,288</u>	<u>853,082</u>	<u>(3,515)</u>	<u>(7,084)</u>	<u>1,591,773</u>	<u>845,998</u>	<u>-88%</u>
Total Net Assets	7,206,591	6,107,144	12,148	2,083	7,218,739	6,109,227	18%

Overall, the District’s total net assets increased between years by 18%, primarily due to the decrease in total liabilities of over \$1.5 million.

The District’s total liabilities decreased over a million and a half dollars due to issuing no new debt in 2012 and decreasing long term debt by over \$800,000 by continuing to pay down existing debt on capital loan notes, general obligation bonds, capital leases for buses and computers, and early retirement benefits.

Capital assets increased from \$4,593,237 in 2011 to \$4,868,735 in 2012 mostly in part due to the completion of the all weather track construction project.

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 in the Capital Projects category by nearly \$50,000 due to the District saving the majority of the monies received from the Statewide Sales, Service, and Use Tax from Dallas and Madison Counties in order to pay the remaining bills from the construction project shortly after the June 30th year end.

Net assets within the business-type activities (school nutrition fund) increased. This overall increase is due to increased revenues and the purchase of a walk-in freezer which increased capital assets.

Changes in Net Assets

Figure A-4 below is a comparison in the changes to the District's net assets between 2011 and 2012.

Change in District's Net Assets June 30, 2012

Figure A-4

	Governmental Activities		Business-Type Activities		Totals		%
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Revenues							-
Program Revenues							
Charges for Services	833,762	796,290	197,529	174,029	1,031,291	970,319	6%
Operating Grants and Cont. & Res.Int.	903,932	817,803	71,997	61,707	975,929	879,510	11%
Capital Grants and Contributions	41,972	348	-	-	41,972	348	11,961%
General Revenues							
Property Taxes	3,109,180	2,975,362			3,109,180	2,975,362	4%
Local Option Sales and Service Tax	347,974	395,033			347,974	395,033	-12%
Income Surtax	227,017	202,312			227,017	202,312	12%
State Grants (non-restricted)	2,289,146	2,125,900			2,289,146	2,125,900	8%
Other	<u>25,204</u>	<u>16,126</u>	<u>15</u>	<u>25</u>	<u>25,219</u>	<u>16,151</u>	56%
Total Revenues	7,778,187	7,329,174	269,541	235,761	8,047,728	7,564,935	6%
Expenses							
Instruction Related	3,881,172	3,617,013			3,881,172	3,617,013	7%
Student and Instructional Services	439,247	426,724			439,247	426,724	3%
Administration Services	724,827	868,688			724,827	868,688	-17%
Plant Operation	598,898	528,973			598,898	528,973	13%
Transportation Services	326,254	303,738			326,254	303,738	7%
Other	<u>695,670</u>	<u>672,496</u>	<u>272,148</u>	<u>246,598</u>	<u>967,818</u>	<u>919,094</u>	5%
Total Expenses	6,666,068	6,417,632	272,148	246,598	6,938,216	6,664,230	4%
Change in Net Assets Before Trsfs	1,112,119	911,542	(2,607)	(10,837)	1,109,512	900,705	23%
Transfers	(12,672)	-	12,672	-	-	-	0%
CHANGE IN NET ASSETS	1,099,447	911,542	10,065	(10,837)	1,109,512	900,705	23%
Net Assets Beginning of the Year	<u>6,107,144</u>	<u>5,195,602</u>	<u>2,083</u>	<u>12,920</u>	<u>6,109,227</u>	<u>5,208,522</u>	17%
Net Assets End of the Year	7,206,591	6,107,144	12,148	2,083	7,218,739	6,109,227	18%

As shown above, total revenues increased by 6% between 2011 and 2012. The largest component of the District's revenue sources is property taxes. Property taxes increased by approximately \$133,000. The

School Board kept tax rates consistent between years but due to the District's property valuations increasing by nearly 4%, the District saw the increase in tax revenues.

Expenses also remained relatively consistent, increasing overall by 4% between years. Instructional related expenses saw the largest dollar increase, increasing by over \$264,000. This is in part due to hiring additional instructional positions that had been in cut in previous years in an effort to manage expenses.

In Business-Type Activities (School Nutrition Fund), revenues increased by over \$33,000 between years primarily due to the increase of over \$20,000 in charges for services. However, expenses in this category also increased just over \$26,000. Cost saving measures will continue to be monitored and implemented where possible.

Governmental Activities

Figure A-5 below presents the cost of six major District activities: instruction, support services, administration services, plant operations, transportation, and other. The table also shows each activity's *net cost*, (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Net Cost of District's Governmental Activities Figure A-5
June 30, 2012

	2012			2011		
	Expenses	Revenues	Net	Expenses	Revenues	Net
Instruction Related	3,881,172	1,510,792	2,370,380	3,617,013	1,369,190	2,247,823
Student and Instructional Services	439,247	-	439,247	426,724	-	426,724
Administration Services	724,827	-	724,827	868,688	-	868,688
Plant Operation	598,898	6,291	592,607	528,973	6,044	522,929
Transportation Services	326,254	10,183	316,071	303,738	10,269	293,469
Non-Instructional Services	-	-	-	-	-	-
<u>Other</u>	<u>695,670</u>	<u>252,400</u>	<u>443,270</u>	<u>672,496</u>	<u>228,938</u>	<u>443,558</u>
Total Expenses	6,666,068	1,779,666	4,886,402	6,417,632	1,614,441	4,803,191

- \$833,762 of the above mentioned cost for 2012 was financed by the users of the District's programs. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$903,932.
- The majority of the District's net costs of \$4,928,374, however, were financed by District taxpayers and the taxpayers of our state. This tax burden remained consistent from 2011.

Business-Type Activities

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

- The District's operating loss in the School Nutrition remained consistent between years. In 2012 the operating loss was \$74,619 compared to \$72,569 in 2011. However, when non-operating revenues of state and federal reimbursements as well as capital contributions and transfers are factored in, the District's change in net assets in the School Nutrition fund was a positive \$10,065.
- Charges for services represent \$197,529, or 73% of total revenue while federal and state reimbursement was 71,997 or 27% of total revenue in 2012. These percentages remained consistent between years.

INDIVIDUAL FUND ANALYSIS

As previously noted, Van Meter Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,316,947. This is an increase of just over 16% or \$320,000 from 2011.

Cash and investments in both the General Fund and Capital Project Funds saw the most significant changes. The Capital Projects Fund decreased significantly due to the District using the proceeds of the Capital Loan Notes issued in the prior year as the track construction project neared completion. However, the General Fund's fund balance increased significantly due to revenues exceeding expenses by over \$700,000 due to the increase in state funding and property tax revenues.

Governmental Fund Highlights:

- The **General Fund** ending balance increased from \$1,032,733 in 2011 to \$1,762,792 in 2012. Consequently, the District's solvency ratio increased from 16.85% in 2011 to 27.37% in 2012. With the anticipated loss of federal stimulus dollars, the District deferred over \$115,000 in Federal Educational Jobs funds to help offset the loss of other federal dollars. Even though the District hired additional instructional staff in 2012, overall expenses only increased by 5.5%. Due to an early retirement program and continued thoughtful discretionary spending, General Fund revenues exceeded expenses by over \$700,000.
- The District's property valuation also continues to grow. In 2012 the valuations increased again by nearly 5%. This, along with the Board's decision to continue to levy the maximum cash reserve levy allowed under Iowa law, helped generate an additional \$120,000 in property taxes. The District also had an increase to state funding of just over \$166,000.
- The **Capital Projects Fund** fund balance decreased from \$863,775 in 2011 to \$565,669 in 2012 due to the District using the majority of the Capital Loan Note proceeds issued in the prior year for the all-weather track construction project that was nearly completed in 2012.

- The **Debt Service Fund** balance remained consistent between years, increasing slightly from \$27,867 in 2011 to \$30,205 in 2012. This fund continues to pay the interest and principal payments of debt issued by the District.
- The **Management Fund** balance decreased significantly from \$21,426 in 2011 to a deficit fund balance of -\$116,539. This was due to an unexpected expense midway through the year that arose. Additional property taxes in fiscal year 2013 have already been levied to cover this deficit.

Proprietary Fund Highlights

- As noted previously, the **Nutrition Fund's** change in net assets was a positive \$10,065.
- Money collected from student lunches did not keep up with the additional expenses for increased salary/benefits and food costs. The District will continue to work with personnel to implement additional cost saving initiatives and improve food selections that will increase sales.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing for all funds, except blended component units, internal service funds, and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District did not need to amend the certified budget and actual expenditures were within the certified budget in all areas for 2012.

A line-item budget is also prepared by Management to monitor expenses and revenues on a monthly basis. District spending decisions are based on the amounts budgeted in attempt to have a positive ending balance each year. The District once again was materially within budgeted amounts planned for 2012.

Capital Assets

At June 30, 2012, the District had invested a total of \$8,487,258, net of accumulated depreciation, in a broad range of capital assets including buildings, athletic facilities, computers, audio-visual equipment, school nutrition equipment, and transportation equipment. As shown in Figure A-6, capital assets remained consistent between years. Construction in Progress was reported in 2011 due to the track construction project beginning in June 2011, but that project was completed in early fall of 2012.

Capital Assets (net of depreciation) Figure A-6

	Governmental Activities		Business-Type Activities		Totals		% Change
	<u>2,012</u>	<u>2011</u>	<u>2,012</u>	<u>2011</u>	<u>2,012</u>	<u>2011</u>	
Land	801,592	801,592	-	0	801,592	801,592	0%
Construction in Progress	-	587,776	-	0	-	587,776	-100%
Buildings and Improvements	6,920,433	6,155,503	-	0	6,920,433	6,155,503	12%
Equipment	<u>749,570</u>	<u>947,708</u>	<u>15,663</u>	<u>9167</u>	<u>765,233</u>	<u>956,875</u>	<u>-20%</u>
Totals	8,471,595	8,492,579	15,663	9167	8,487,258	8,501,746	0%

Long-Term Debt

At year end, the district had reduced their long-term debt by over 17% between years with an ending balance of \$3,779,926 in general obligation debt and other long-term debt outstanding. The District's general obligation debt is not rated. The District continued to pay the annual principal and interest payments on the Capital Lease and General Obligation Bonds which decreased these liabilities. Termination benefits also continue to decrease significantly as past employees' benefits under the District's Early Retirement Program are paid out.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately 16 million.

Outstanding Long-Term Debt as of June 30, 2012

Figure A-7

Total School District

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
General Obligation Bonds	2,625,000	2,895,000	-9.33%
Capital Loan Notes	800,000	925,000	-13.51%
Termination Benefits	167,254	350,156	-52.23%
Capital Lease	177,860	410,697	-56.69%
Net OPEB liability	7,084	1,000	608.40%
Compensated Absences	<u>2,728</u>	<u>2,663</u>	<u>2.44%</u>
Total	3,779,926	4,584,516	-17.55%

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 impact its financial health in the future:

- Enrollment:* The enrollment count taken in October 2011, used for budget enrollment for fiscal year 2013, increased by 3.2 students. The district also continues to see an increase in open enrollment in to the district, which is not reflected on the certified enrollment amount. Funding for students open enrolled in to the district is received from the students' resident district. The District continues to serve the highest number of students in its history. Overall, future enrollment trends are expected to increase due to new housing developments in the District and the innovative teaching and learning taking place at Van Meter School, which has attracted new families. It will be important for the District to manage the fluctuating student enrollment and be prepared for occasional lower than expected state aid.
- Economic Development:* The overall economic development of Dallas and Madison counties will directly impact the District. Both counties have passed the one cent School Infrastructure Local Option sales tax (SILO). Retail sales and commercial growth in the area will largely impact the District's SILO funds as well as the District's taxable valuations.

- *Economy:* The national economy, the State of Iowa's budget, and future legislative decisions will impact schools significantly. The District will have to manage the local property taxes and levy for any future shortfalls in state funding. Fortunately, the District's patrons have always been supportive of maintaining high level schools for their children.
- The Board of Directors of the District plan to take a bond referendum to the patrons of the community in April 2013 for an approximately \$7.5 million building project that would add various additions to the existing K-12 facility. A similar bond referendum was defeated by a narrow margin in September 2012. If the referendum passes, existing debt will be issued by the District.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total	Component Unit - Van Meter Educational Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	2,777,812	4,029	2,781,841	115,813
Receivables:				
Property tax:				
Delinquent	27,017	-	27,017	-
Succeeding year	2,969,819	-	2,969,819	-
Accounts	3,104	-	3,104	-
Due from other governments	401,181	-	401,181	-
Inventories	-	2,790	2,790	-
Capital assets, net of accumulated depreciation	8,471,595	15,663	8,487,258	-
Total assets	14,650,528	22,482	14,673,010	115,813
Liabilities				
Accounts payable	195,051	1,400	196,451	-
Salaries and benefits payable	479,151	-	479,151	-
Accrued interest payable	20,252	-	20,252	-
Deferred revenue:				
Succeeding year property tax	2,969,819	-	2,969,819	-
Other	-	8,672	8,672	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	285,000	-	285,000	-
Notes payable	130,000	-	130,000	-
Capital leases	162,393	-	162,393	-
Termination benefits	87,810	-	87,810	-
Compensated absences	2,728	-	2,728	-
Portion due after one year:				
General obligation bonds payable	2,340,000	-	2,340,000	-
Notes payable	670,000	-	670,000	-
Capital leases	15,467	-	15,467	-
Termination benefits	79,444	-	79,444	-
Net OPEB liability	6,822	262	7,084	-
Total liabilities	7,443,937	10,334	7,454,271	-

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total	Component Unit - Van Meter Educational Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	4,868,735	15,663	4,884,398	-
Restricted for:				
Scholarships	-	-	-	35,698
Categorical funding	92,126	-	92,126	-
Physical plant and equipment levy	8,612	-	8,612	-
Student activities	74,820	-	74,820	-
School infrastructure	557,057	-	557,057	-
Debt service	9,953	-	9,953	-
Unrestricted	1,595,288	(3,515)	1,591,773	80,115
Total net assets	<u>7,206,591</u>	<u>12,148</u>	<u>7,218,739</u>	<u>115,813</u>

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,639,971	582,874	630,220	-
Special	588,251	31,174	27,953	-
Other	652,950	213,423	25,148	-
	<u>3,881,172</u>	<u>827,471</u>	<u>683,321</u>	<u>-</u>
Support services:				
Student	114,371	-	-	-
Instructional staff	324,876	-	-	-
Administration	724,827	-	-	-
Operation and maintenance of plant	598,898	6,291	-	-
Transportation	326,254	-	10,183	-
	<u>2,089,226</u>	<u>6,291</u>	<u>10,183</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	111,904	-	-	41,972
Long-term debt interest	129,459	-	193	-
AEA flowthrough	210,235	-	210,235	-
Depreciation (unallocated)*	244,072	-	-	-
	<u>695,670</u>	<u>-</u>	<u>210,428</u>	<u>41,972</u>
Total governmental activities	6,666,068	833,762	903,932	41,972
Business type activities:				
Non-instructional programs:				
Food service operations	272,148	197,529	71,997	-
Total business type activities	6,938,216	1,031,291	975,929	41,972
Component Unit:				
Van Meter Educational Foundation	22,237	-	19,947	-
Total component unit	<u>6,960,453</u>	<u>1,031,291</u>	<u>995,876</u>	<u>41,972</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,426,877)	-	(1,426,877)	-
(529,124)	-	(529,124)	-
(414,379)	-	(414,379)	-
<u>(2,370,380)</u>	<u>-</u>	<u>(2,370,380)</u>	<u>-</u>
(114,371)	-	(114,371)	-
(324,876)	-	(324,876)	-
(724,827)	-	(724,827)	-
(592,607)	-	(592,607)	-
(316,071)	-	(316,071)	-
<u>(2,072,752)</u>	<u>-</u>	<u>(2,072,752)</u>	<u>-</u>
(69,932)	-	(69,932)	-
(129,266)	-	(129,266)	-
-	-	-	-
<u>(244,072)</u>	<u>-</u>	<u>(244,072)</u>	<u>-</u>
<u>(443,270)</u>	<u>-</u>	<u>(443,270)</u>	<u>-</u>
(4,886,402)	-	(4,886,402)	-
-	(2,622)	(2,622)	-
(4,886,402)	(2,622)	(4,889,024)	-
-	-	-	(2,290)
<u>(4,886,402)</u>	<u>(2,622)</u>	<u>(4,889,024)</u>	<u>(2,290)</u>
2,430,628	-	2,430,628	-
386,687	-	386,687	-
291,865	-	291,865	-
227,017	-	227,017	-
347,974	-	347,974	-
2,289,146	-	2,289,146	-
1,889	15	1,904	3,801
23,315	-	23,315	-
<u>5,998,521</u>	<u>15</u>	<u>5,998,536</u>	<u>3,801</u>
(12,672)	12,672	-	-
<u>5,985,849</u>	<u>12,687</u>	<u>5,998,536</u>	<u>3,801</u>
1,099,447	10,065	1,109,512	1,511
6,107,144	2,083	6,109,227	114,302
<u>7,206,591</u>	<u>12,148</u>	<u>7,218,739</u>	<u>115,813</u>

VAN METER COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	2,171,167	503,343	26,636	1,249	75,417	2,777,812
Receivables:						
Property tax:						
Delinquent	18,787	2,556	3,546	2,128	-	27,017
Succeeding year	1,720,784	307,678	389,358	551,999	-	2,969,819
Accounts	-	-	-	-	3,104	3,104
Interfund receivable	120,000	-	-	-	-	120,000
Due from other governments	330,610	70,464	23	84	-	401,181
Total assets	4,361,348	884,041	419,563	555,460	78,521	6,298,933
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	180,656	10,694	-	-	3,701	195,051
Salaries and benefits payable	479,151	-	-	-	-	479,151
Interfund payable	-	-	-	120,000	-	120,000
Deferred revenue:						
Succeeding year property tax	1,720,784	307,678	389,358	551,999	-	2,969,819
Income surtax	217,965	-	-	-	-	217,965
Total liabilities	2,598,556	318,372	389,358	671,999	3,701	3,981,986
Fund balances:						
Restricted for:						
Categorical funding	92,126	-	-	-	-	92,126
Debt service	-	-	30,205	-	-	30,205
Student activities	-	-	-	-	74,820	74,820
School infrastructure	-	557,057	-	-	-	557,057
Physical plant and equipment	-	8,612	-	-	-	8,612
Assigned	40,965	-	-	-	-	40,965
Unassigned	1,629,701	-	-	(116,539)	-	1,513,162
Total fund balances	1,762,792	565,669	30,205	(116,539)	74,820	2,316,947
Total liabilities and fund balances	4,361,348	884,041	419,563	555,460	78,521	6,298,933

VAN METER COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

\$

Total fund balances of governmental funds (Exhibit C)	2,316,947
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,471,595
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	217,965
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.	(20,252)
Long-term liabilities, including bonds payable, notes payable, capital leases, compensated absences, termination benefits, and other postemployment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,779,664)</u>
Net assets of governmental activities (Exhibit A)	<u><u>7,206,591</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,489,744	639,839	386,687	176,021	-	3,692,291
Tuition	536,289	-	-	-	-	536,289
Other	139,514	42,000	193	18,242	207,988	407,937
State sources	2,895,272	88	116	53	-	2,895,529
Federal sources	233,924	-	-	-	-	233,924
Total revenues	<u>6,294,743</u>	<u>681,927</u>	<u>386,996</u>	<u>194,316</u>	<u>207,988</u>	<u>7,765,970</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,428,876	5,140	-	97,349	-	2,531,365
Special	586,284	-	-	-	-	586,284
Other	464,010	-	-	-	184,333	648,343
	<u>3,479,170</u>	<u>5,140</u>	<u>-</u>	<u>97,349</u>	<u>184,333</u>	<u>3,765,992</u>
Support services:						
Student	102,644	-	-	11,727	-	114,371
Instructional staff	324,500	-	-	-	-	324,500
Administration	701,471	-	500	157,642	-	859,613
Operation and maintenance	528,440	22,735	-	58,599	-	609,774
Transportation	235,061	16,715	-	6,964	-	258,740
	<u>1,892,116</u>	<u>39,450</u>	<u>500</u>	<u>234,932</u>	<u>-</u>	<u>2,166,998</u>
Non-instructional programs	-	9,172	-	-	-	9,172
Other expenditures:						
Facilities acquisition	-	549,378	-	-	-	549,378
Long-term debt:						
Principal	-	-	627,837	-	-	627,837
Interest and fiscal charges	-	-	133,214	-	-	133,214
AEA flowthrough	210,235	-	-	-	-	210,235
	<u>210,235</u>	<u>549,378</u>	<u>761,051</u>	<u>-</u>	<u>-</u>	<u>1,520,664</u>
Total expenditures	<u>5,581,521</u>	<u>603,140</u>	<u>761,551</u>	<u>332,281</u>	<u>184,333</u>	<u>7,462,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>713,222</u>	<u>78,787</u>	<u>(374,555)</u>	<u>(137,965)</u>	<u>23,655</u>	<u>303,144</u>

VAN METER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Other financing sources (uses):						
Compensation for loss of fixed assets	20,337	-		-	-	20,337
Operating transfers in	-	-	376,893	-	-	376,893
Operating transfers out	(3,500)	(376,893)	-	-	-	(380,393)
Total other financing sources (uses)	<u>16,837</u>	<u>(376,893)</u>	<u>376,893</u>	<u>-</u>	<u>-</u>	<u>16,837</u>
Net change in fund balances	730,059	(298,106)	2,338	(137,965)	23,655	319,981
Fund balances beginning of year	<u>1,032,733</u>	<u>863,775</u>	<u>27,867</u>	<u>21,426</u>	<u>51,165</u>	<u>1,996,966</u>
Fund balances end of year	<u><u>1,762,792</u></u>	<u><u>565,669</u></u>	<u><u>30,205</u></u>	<u><u>(116,539)</u></u>	<u><u>74,820</u></u>	<u><u>2,316,947</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		319,981
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	473,826	
Depreciation expense	<u>(494,810)</u>	(20,984)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(8,120)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		627,837
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		3,755
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	182,902	
Compensated absences	(65)	
Other postemployment benefits	<u>(5,859)</u>	<u>176,978</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,099,447</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2012

	Nonmajor School Nutrition
	<u> </u>
	\$
Assets	
Cash and cash equivalents	4,029
Inventories	2,790
Capital assets, net of accumulated depreciation	<u>15,663</u>
Total assets	<u>22,482</u>
Liabilities	
Accounts payable	1,400
Deferred revenue	8,672
Net OPEB liability	<u>262</u>
Total liabilities	<u>10,334</u>
Net assets	
Invested in capital assets	15,663
Unrestricted	<u>(3,515)</u>
Total net assets	<u><u>12,148</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>197,529</u>
Operating expenses:	
Non-instructional programs:	
Salaries	64,918
Benefits	24,711
Supplies	179,621
Depreciation	2,676
Other	222
Total operating expenses	<u>272,148</u>
Operating income (loss)	<u>(74,619)</u>
Non-operating revenues:	
State sources	2,460
Federal sources	69,537
Interest income	15
Total non-operating revenues	<u>72,012</u>
Gain (loss) before transfers and capital contributions	(2,607)
Capital contributions	9,172
Transfers in	<u>3,500</u>
Change in net assets	10,065
Net assets beginning of year	<u>2,083</u>
Net assets end of year	<u><u>12,148</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	197,393
Cash payments to employees for services	(92,215)
Cash payments to suppliers for goods or services	<u>(171,535)</u>
Net cash used by operating activities	<u>(66,357)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	3,500
State grants received	2,460
Federal grants received	<u>61,322</u>
Net cash provided by non-capital financing activities	<u>67,282</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>15</u>
Net increase (decrease) in cash and cash equivalents	940
Cash and cash equivalents at beginning of year	<u>3,089</u>
Cash and cash equivalents at end of year	<u><u>4,029</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(74,619)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	8,215
Depreciation	2,676
Decrease (increase) in inventories	339
(Decrease) increase in accounts payable	(246)
(Decrease) increase in salaries and benefits payable	(2,811)
(Decrease) increase in deferred revenue	(136)
(Decrease) increase in other postemployment benefits	<u>225</u>
Net cash used by operating activities	<u><u>(66,357)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$8,215 of federal commodities.

During the year ended June 30, 2012, the Nutrition Fund received \$9,172 of equipment that was purchased by other funds.

VAN METER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2012

	<u>Agency</u> \$
Assets	
Due from other governments	16,889
Liabilities	
Due to other governments	<u>16,889</u>
Net Assets	<u><u>-</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

Van Meter Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Van Meter, Iowa and the predominately agricultural territory in a portion of Dallas and Madison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Van Meter Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Van Meter Educational Foundation has been included due to the nature and significance of its relationship with the Van Meter Community School District.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

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

The Management Fund is used to account for the revenue from the management property tax levy.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Improvements other than buildings	20-40 years
Intangibles	3-20 years
Furniture and equipment	5-20 years

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements 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.

Assigned – Amounts the Board Secretary intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,143,316 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Management Fund	120,000

The General Fund loaned the Management Fund money for cash flow during fiscal year 2012.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	376,893
Nonmajor School Nutrition Fund	General Fund	3,500

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

5. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	587,776	-	587,776	-
Land	801,592	-	-	801,592
Total capital assets not being depr.	<u>1,389,368</u>	<u>-</u>	<u>587,776</u>	<u>801,592</u>

Capital assets being depreciated:				
Buildings	8,966,289	-	-	8,966,289
Improvements other than buildings	-	1,009,002	-	1,009,002
Furniture and equipment	1,913,069	52,600	-	1,965,669
Total capital assets being deprec.	<u>10,879,358</u>	<u>1,061,602</u>	-	<u>11,940,960</u>
Less accumulated depreciation for:				
Buildings	2,810,786	218,674	-	3,029,460
Improvements other than buildings	-	25,398	-	25,398
Furniture and equipment	965,361	250,738	-	1,216,099
Total accumulated depreciation	<u>3,776,147</u>	<u>494,810</u>	-	<u>4,270,957</u>
Total capital assets being depreciated, net	<u>7,103,211</u>	<u>566,792</u>	-	<u>7,670,003</u>
Governmental activities capital assets, net	<u>8,492,579</u>	<u>566,792</u>	<u>587,776</u>	<u>8,471,595</u>
Business type activities:				
Furniture and equipment	87,784	9,172	-	96,956
Less accumulated depreciation	<u>78,617</u>	<u>2,676</u>	-	<u>81,293</u>
Business type activities capital assets, net	<u>9,167</u>	<u>6,496</u>	-	<u>15,663</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	150,806
Special	615
Other	4,382
Support services:	
Administration	2,321
Operation and maintenance of plant services	8,385
Transportation	84,229
	<u>250,738</u>
Unallocated depreciation	<u>244,072</u>
Total depreciation expense – governmental activities	<u>494,810</u>
Business type activities:	
Food services	<u>2,676</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,895,000	-	270,000	2,625,000	285,000
Capital loan notes	925,000	-	125,000	800,000	130,000
Capital leases	410,697	-	232,837	177,860	162,393
Compensated absences	2,663	65	-	2,728	2,728
Termination benefits	350,156	37,902	220,804	167,254	87,810
Net OPEB liability	963	5,859	-	6,822	-
Total	4,584,479	43,826	848,641	3,779,664	667,931
Business type activities:					
Net OPEB liability	37	225	-	262	-

Termination Benefits

The District offered a voluntary early retirement plan to its certified and classified employees for the years 2008 to 2012. Eligible employees must be at least age fifty-five and employees must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The 2012 early retirement benefit for each eligible employee is equal to 40% of the contract year's IPERS wages and \$30 per day for unused sick leave. Payments will be made twice a year over three years. The District also has early retirement liabilities based on prior year plans. Details of these plans are available upon request of the District's administrative office.

At June 30, 2012, the District has termination obligations to nine participants with a total liability of \$167,254. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$220,804. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 2005			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	4.00	285,000	103,857	388,857
2014	4.00	295,000	92,458	387,458
2015	4.00	310,000	80,657	390,657
2016	4.00	320,000	68,258	388,258
2017	4.00	335,000	56,097	391,097
2018-2020	4.00	1,080,000	87,600	1,167,600
		<u>2,625,000</u>	<u>488,927</u>	<u>3,113,927</u>

Capital Loan Notes

The District issued \$925,000 of capital loan notes during the year ended June 30, 2011. These notes and the interest will be paid from the Capital Projects, Physical Plant and Equipment Levy. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	0.95	130,000	14,653	144,653
2014	1.30	130,000	13,417	143,417
2015	1.65	130,000	11,728	141,728
2016	2.05	135,000	9,582	144,582
2017	2.30	135,000	6,815	141,815
2018	2.65	140,000	3,710	143,710
		800,000	59,905	859,905

During the year ended June 30, 2012 the District made principal and interest payments totaling \$140,465 under the note agreement.

Capital Leases

The District has leased buses and computers under capital leases. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2012.

	Year Ending June 30,	Amount
		\$
	2013	162,392
	2014	15,468
Minimum Lease Payments		177,860
Less Amount Representing Interest		-
Present Value of Minimum Lease Payments		177,860

7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contributions requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$268,199, \$225,328, \$224,033 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

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

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	52,000
Interest on net OPEB obligation	45
Adjustment to annual required contribution	39
Annual OPEB cost	<u>52,084</u>
Contributions made	<u>46,000</u>
Increase in net OPEB obligation	6,084
Net OPEB obligation beginning of year	<u>1,000</u>
Net OPEB obligation end of year	<u>7,084</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$46,000 to the medical plan. Plan members eligible for benefits contributed \$10,867, or 19% 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, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$		\$
June 30, 2010	52,000	98%	1,000
June 30, 2011	51,788	100%	1,000
June 30, 2012	52,084	88%	7,084

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$385,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$385,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,780,000, and the ratio of the UAAL to covered payroll was 21.6%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$210,235 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Donations	16,946
Univ. of Iowa science writing project	2,000
Gifted and talented	1,088
Market factor	4,013
Teacher salary supplement	51,538
Core curriculum	7,384
Educator quality, professional development	2,837
Limited English proficiency	1,269
Mentoring	5,051
	<u>92,126</u>

12. Lease Commitment

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

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

\$5,880 of lease payments were made during fiscal year 2012.

13. Deficit Fund Balances

At June 30, 2012 the District's Management Fund had a \$116,539 deficit fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

VAN METER COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,636,517	197,544	4,834,061	5,179,452	5,179,452	(345,391)
Intermediate sources	-	-	-	2,000	2,000	(2,000)
State sources	2,895,529	2,460	2,897,989	3,044,247	3,044,247	(146,258)
Federal sources	233,924	69,537	303,461	199,000	199,000	104,461
Total revenues	<u>7,765,970</u>	<u>269,541</u>	<u>8,035,511</u>	<u>8,424,699</u>	<u>8,424,699</u>	<u>(389,188)</u>
Expenditures/Expenses:						
Instruction	3,765,992	-	3,765,992	5,003,846	5,003,846	1,237,854
Support services	2,166,998	-	2,166,998	2,800,945	2,800,945	633,947
Non-instructional programs	9,172	272,148	281,320	388,420	388,420	107,100
Other expenditures	1,520,664	-	1,520,664	1,929,423	1,929,423	408,759
Total expenditures/expenses	<u>7,462,826</u>	<u>272,148</u>	<u>7,734,974</u>	<u>10,122,634</u>	<u>10,122,634</u>	<u>2,387,660</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	303,144	(2,607)	300,537	(1,697,935)	(1,697,935)	1,998,472
Other financing sources (uses) net	<u>16,837</u>	<u>12,672</u>	<u>29,509</u>	<u>-</u>	<u>-</u>	<u>29,509</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	319,981	10,065	330,046	(1,697,935)	(1,697,935)	2,027,981
Balance beginning of year	<u>1,996,966</u>	<u>2,083</u>	<u>1,999,049</u>	<u>1,698,056</u>	<u>1,698,056</u>	<u>300,993</u>
Balance end of year	<u><u>2,316,947</u></u>	<u><u>12,148</u></u>	<u><u>2,329,095</u></u>	<u><u>121</u></u>	<u><u>121</u></u>	<u><u>2,328,974</u></u>

VAN METER COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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

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

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

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

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) %
2010	July 1, 2009	-	385,000	385,000	0.0%	1,700,000	22.6%
2011	July 1, 2009	-	385,000	385,000	0.0%	1,770,000	21.8%
2012	July 1, 2009		385,000	385,000	0.0%	1,780,000	21.6%

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

OTHER SUPPLEMENTARY INFORMATION

VAN METER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	-	486,727	16,616	503,343
Receivables:				
Property tax:				
Delinquent	-	-	2,556	2,556
Succeeding year	-	-	307,678	307,678
Due from other governments	-	70,330	134	70,464
Total assets	-	557,057	326,984	884,041
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	-	10,694	10,694
Deferred revenue:				
Succeeding year property tax	-	-	307,678	307,678
Total liabilities	-	-	318,372	318,372
Fund balances:				
Restricted for:				
School infrastructure	-	557,057	-	557,057
Physical plant and equipment	-	-	8,612	8,612
Total fund balances	-	557,057	8,612	565,669
Total liabilities and fund balances	-	557,057	326,984	884,041

VAN METER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2012

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	347,974	291,865	639,839
Other	20,940	1,020	20,040	42,000
State sources	-	-	88	88
Total revenues	<u>20,940</u>	<u>348,994</u>	<u>311,993</u>	<u>681,927</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	5,140	5,140
Support services:				
Operation and maintenance of plant	-	16,757	5,978	22,735
Transportation services	-	16,715	-	16,715
Non-instructional programs	-	9,172	-	9,172
Other expenditures:				
Facilities acquisition	352,295	113,711	83,372	549,378
Total expenditures	<u>352,295</u>	<u>156,355</u>	<u>94,490</u>	<u>603,140</u>
Excess (deficiency) of revenues over (under) expenditures	(331,355)	192,639	217,503	78,787
Other financing sources (uses):				
Operating transfers out	-	(140,965)	(235,928)	(376,893)
Net change in fund balance	(331,355)	51,674	(18,425)	(298,106)
Fund balances beginning of year	<u>331,355</u>	<u>505,383</u>	<u>27,037</u>	<u>863,775</u>
Fund balance end of year	<u>-</u>	<u>557,057</u>	<u>8,612</u>	<u>565,669</u>

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Art to remember	2,126	737	-	-	2,863
Athletics	2,367	78,830	71,546	148	9,799
Baseball	1,121	7,135	6,743	-	1,513
Basketball-boys	2,005	4,865	4,925	-	1,945
Basketball-girls	-	1,862	605	-	1,257
Book tournament	100	339	276	-	163
Cap and gown	429	1,230	1,195	-	464
Class of 2005	20	-	-	(20)	-
Class of 2010	171	-	-	(171)	-
Class of 2011	250	-	-	(250)	-
Class of 2012	4,120	-	4,120	-	-
Class of 2013	1,777	4,474	5,361	-	890
Class of 2014	2,863	2,805	1,100	-	4,568
Class of 2015	1,050	173	-	-	1,223
Class of 2016	605	2,643	997	-	2,251
Class of 2017	580	1,463	107	-	1,936
Class of 2018	-	1,528	107	-	1,421
Coffee shop	1,047	2,039	777	-	2,309
Cross country	-	320	285	-	35
Dance squad	73	-	-	-	73
Destination imagination	-	-	135	135	-
District football	76	1,200	-	-	1,276
District music	387	-	-	-	387
Drama	3,572	1,638	1,533	-	3,677
Elementary music-resale	-	86	20	-	66
Elementary science club	1,553	49	-	-	1,602
Elementary yearbook	115	20	-	-	135
Engineering fair	500	-	-	-	500
FCCLA	652	19,912	20,529	-	35
Fieldtrips	-	-	175	175	-
Football	6,386	25,827	23,012	-	9,201
Golf	794	3,057	3,851	-	-
Heart association	198	-	-	-	198
Huss memorial	260	-	-	-	260
Interest-checking	-	86	31	-	55
Junior achievement	162	-	-	-	162
Junior High boys basketball	142	-	-	-	142
Junior high softball	9	-	-	-	9
Kids in culture	106	780	-	-	886
National honor society	93	540	463	-	170

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Pep club	-	7,208	4,385	-	2,823
Pottery	635	-	-	-	635
Puppy dog olympics	-	197	197	-	-
Reading incentive	344	-	-	(36)	308
Reading night	202	-	-	-	202
Shes the first	314	726	1,000	-	40
Softball	597	2,745	1,889	-	1,453
Spanish club	425	-	-	-	425
Steele memorial	475	-	-	-	475
Stewart memorial	4	-	-	-	4
Student council	3,374	1,370	767	-	3,977
Student lead drama	1,490	795	581	-	1,704
Take and bake	-	651	651	-	-
Technology club	-	1,393	1,412	19	-
Third grade quilt club	1	-	-	-	1
Track-boys	-	196	48	-	148
Track-girls	580	1,198	1,171	-	607
Track-JH girls	2	-	-	-	2
Volleyball	643	14,059	11,967	-	2,735
Wallace summer program	57	-	-	-	57
Wrestling	1,668	2,857	2,887	-	1,638
Yearbook	4,645	10,955	9,485	-	6,115
Total	51,165	207,988	184,333	-	74,820

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Due from other governments	16,738	102,623	102,472	16,889
Liabilities				
Due to other governments	16,738	102,623	102,472	16,889

VAN METER COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	3,692,291	3,588,383	3,158,528	3,029,929	2,858,623	2,649,929	2,503,077	2,387,738	2,206,697
Tuition	536,289	545,009	460,649	390,142	432,871	472,837	391,969	300,265	296,314
Other	407,937	268,048	425,051	432,155	431,597	366,389	282,494	221,687	205,726
Intermediate sources	-	2,000	-	-	-	-	-	-	-
State sources	2,895,529	2,743,278	2,389,027	2,854,673	2,490,741	2,410,182	2,219,868	1,941,464	1,927,381
Federal sources	233,924	198,132	391,956	164,380	116,994	110,300	129,429	201,293	222,650
Total revenues	<u>7,765,970</u>	<u>7,344,850</u>	<u>6,825,211</u>	<u>6,871,279</u>	<u>6,330,826</u>	<u>6,009,637</u>	<u>5,526,837</u>	<u>5,052,447</u>	<u>4,858,768</u>
Expenditures:									
Instruction	3,765,992	3,644,839	3,704,413	4,368,960	3,373,847	2,997,996	2,858,668	2,670,722	2,516,794
Support services:									
Student services	114,371	104,673	157,023	150,000	142,830	154,566	135,302	130,739	119,489
Instructional staff services	324,500	322,051	343,009	232,771	227,309	218,482	233,523	279,129	232,053
Administration services	859,613	731,409	724,426	712,564	726,008	662,177	646,254	531,237	489,930
Operation and maintenance	609,774	521,570	447,452	499,358	415,721	372,945	486,722	370,932	304,050
Transportation services	258,740	226,191	412,192	292,917	353,430	177,820	143,044	185,319	108,451
Non-instructional programs	9,172	-	3,092	3,751	-	-	-	-	-
Other expenditures:									
Facilities acquisition	549,378	761,039	158,894	889,151	342,004	31,641	827,646	301,395	248,412
Long-term debt:									
Principal	627,837	489,874	3,604,500	255,746	330,967	280,000	270,000	255,000	250,000
Interest and other charges	133,214	137,587	306,040	322,159	331,056	342,008	292,308	239,631	249,397
AEA flowthrough	210,235	228,297	220,114	202,486	177,738	169,033	152,401	137,762	140,786
Total expenditures	<u>7,462,826</u>	<u>7,167,530</u>	<u>10,081,155</u>	<u>7,929,863</u>	<u>6,420,910</u>	<u>5,406,668</u>	<u>6,045,868</u>	<u>5,101,866</u>	<u>4,659,362</u>

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Van Meter Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 8, 2013. We did not issue an opinion on the Van Meter Educational Foundation, which is included as a discretely presented component unit, because we were not engaged to and did not audit the Foundation. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Van Meter Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Van Meter Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Van Meter Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Van Meter Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 12-I-A and 12-I-B to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

January 8, 2013

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

12-I-B Credit Card Expenditure Supporting Documentation: We tested credit card expenditures totaling \$29,724. The District did not have detailed invoices or receipts for \$1,418 of the charges.

Recommendation: All District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

District Response: We will obtain detailed supporting documentation for all credit card expenditures.

Conclusion: Response accepted.

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- 12-II-A Certified Budget: Expenditures for the year ended June 30, 2012 did not exceed the certified budget amounts.
- 12-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 12-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 12-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
John Seefeld, board member, insurance agent	Property and liability insurance	71,632

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

- 12-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 12-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 12-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 12-II-H Supplementary Weighting: Supplementary weighting reported to the Iowa Department of Education at October 2011 was understated by .2562.

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

District Response: We have contacted these departments.

Conclusion: Response accepted.
- 12-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 12-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

VAN METER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

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

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$
		505,383
Revenues/transfers in:		
Statewide sales, services and use tax revenue	347,974	
Interest	1,020	
	<u> </u>	348,994
Expenditures/transfers out:		
School infrastructure construction	113,711	
Equipment	42,644	
Transfer to Debt Service Fund	140,965	
	<u> </u>	<u>297,320</u>
Ending balance		<u><u>557,057</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

12-II-M Deficit Balance: The District has an unassigned deficit fund balance in the Management Fund of \$116,539 at June 30, 2012.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate these deficits.

District Response: The Management Fund deficit will be covered by fiscal year 2013 property tax revenues.

Conclusion: Response accepted.