

VAN METER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-17
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	20
Statement of Activities	B	21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Position	G	26
Statement of Revenues, Expenditures and Changes in Fund Net Position	H	27
Statement of Cash Flows	I	28
Notes to Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	47
Capital Projects Accounts:		
Combining Balance Sheet	3	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50-51
Schedule of Changes in Fiduciary Assets and Liabilities -Agency Fund	6	52
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	53
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 <u>Government Auditing Standards</u>		54-55
Schedule of Findings		56-63

Van Meter Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Liz Thompson	President	2013
Jim Folkerts	Vice President	2015
Brian Gordon	Board Member	2013
Lance Lauterbach	Board Member	2013
Dan Koster	Board Member	2015
(After September 2013 Election)		
Liz Thompson	President	2017
Dan Koster	Vice President	2015
Jim Folkerts	Board Member	2015
Brian Gordon	Board Member	2017
Mark Smith	Board Member	2017
School Officials		
Deron Durflinger	Superintendent	2014
Shonna Trudo	Board Secretary/ District Treasurer	2014
Ahler's Law Firm	Attorney	2014

VAN METER COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Van Meter Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

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 7 through 17 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.

Supplementary Information

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. Another auditor previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2015, on our consideration of Van Meter Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports 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.



NOLTE, CORNMAN & JOHNSON, P.C.

January 5, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,796,035 in fiscal 2013 to \$6,078,654 in fiscal 2014, and General Fund expenditures increased from \$5,577,090 in fiscal 2013 to \$6,111,717 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,981,737 at June 30, 2013 to \$1,948,674, at June 30, 2014, a 1.67% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in tuition revenues received in fiscal 2014 compared to fiscal 2013. The increase in expenditures was due primarily to an increase in instruction expenditures compared to the prior year. This was an intentional spending down of the general fund reserve funds in an effort to utilize the district's resources to best serve the students of the growing district.'
- The district was involved in a two-part construction project primarily funded with general obligation bond proceeds from a \$7.8 million bond referendum passed in April 2013. The first part of the construction project was completing an athletic complex on the east side of the campus which included a new baseball field, new softball field, and a football practice field. This portion of the project was completed late summer of 2014, costing approximately \$1.7 million. The district will spend the remainder of the bond proceeds on an addition and remodel of the west campus K-12 building during the FY15 and FY16 years.

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 Position 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 custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

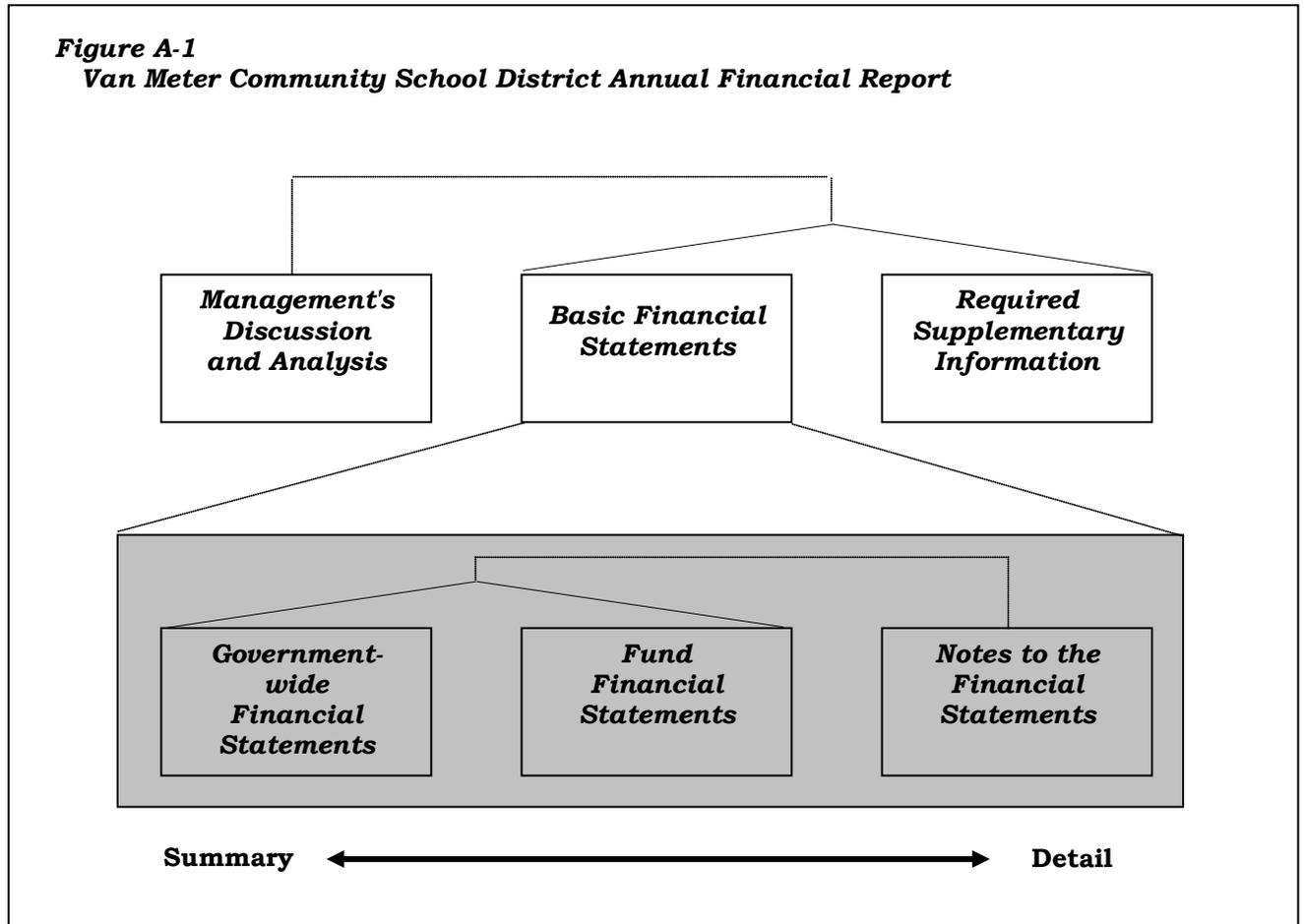


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows or resources, with the difference reported as net position. 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 position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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, Capital Projects Fund, Debt Service, and Special Revenue Funds.

The required financial statements for the 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 the proprietary funds include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund includes the Agency Fund.

- Agency Fund - These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring that 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 District-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 was entitled to. As agreed upon in a 28E Agreement, the District received a monthly payment from Dallas County for SILO, and then the District passed along twenty-five percent to the City of Van Meter. This agreement with city of Van Meter expired in December 2013.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 13,401,160	7,025,922	15,534	23,084	13,416,694	7,049,006	90.33%
Capital assets	10,227,849	8,498,894	22,959	12,258	10,250,808	8,511,152	20.44%
Total assets	23,629,009	15,524,816	38,493	35,342	23,667,502	15,560,158	52.10%
Long-term liabilities	10,603,942	3,529,408	6,418	532	10,610,360	3,529,940	200.58%
Other liabilities	1,096,609	899,892	1,088	10,872	1,097,697	910,764	20.52%
Total liabilities	11,700,551	4,429,300	7,506	11,404	11,708,057	4,440,704	163.65%
Deferred inflows of resources	3,038,720	3,017,645	-	-	3,038,720	3,017,645	0.70%
Net position:							
Net investment in capital assets	5,579,833	5,060,451	22,959	12,258	5,602,792	5,072,709	10.45%
Restricted	1,256,966	891,635	-	-	1,256,966	891,635	40.97%
Unrestricted	2,052,939	2,125,785	8,028	11,680	2,060,967	2,137,465	-3.58%
Total net position	\$ 8,889,738	8,077,871	30,987	23,938	8,920,725	8,101,809	10.11%

The District's combined net position increased by \$818,916 or by 10.1%, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$365,331, or 40.97% over the prior year. The increase is primarily due to the increase in fund balances of the Capital Projects: Statewide Sales, Services and Use Tax, and the Management Levy Fund during the year.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$76,498, or 3.58%. This decrease in unrestricted net position was primarily a result of the decrease in fund balance in the District's General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 1,060,162	992,330	196,096	210,999	1,256,258	1,203,329	4.40%
Operating grants and contributions and restricted interest	391,430	733,490	83,620	75,063	475,050	808,553	-41.25%
Capital grants and contributions and restricted interest	40,000	-	-	-	40,000	-	100.00%
General revenues:							
Property tax	3,006,726	2,987,270	-	-	3,006,726	2,987,270	0.65%
Income surtax	308,875	395,928	-	-	308,875	395,928	-21.99%
Statewide sales, services and use tax	485,001	275,429	-	-	485,001	275,429	76.09%
Unrestricted state grants	2,857,338	2,305,026	-	-	2,857,338	2,305,026	23.96%
Unrestricted investment earnings	13,188	2,490	16	16	13,204	2,506	426.90%
Other	42,560	-	7,815	-	50,375	-	100.00%
Total revenues	8,205,280	7,691,963	287,547	286,078	8,492,827	7,978,041	6.45%
Program expenses:							
Instructional	4,548,700	4,217,380	-	-	4,548,700	4,217,380	7.86%
Support services	2,051,428	1,964,412	3,584	-	2,055,012	1,964,412	4.61%
Non-instructional programs	-	17,783	276,914	274,288	276,914	292,071	-5.19%
Other expenditures	793,285	620,096	-	-	793,285	620,096	27.93%
Total expenses	7,393,413	6,819,671	280,498	274,288	7,673,911	7,093,959	8.18%
Excess of revenues over expenses	811,867	872,292	7,049	11,790	818,916	884,082	7.37%
Transfers	-	(1,012)	-	-	-	(1,012)	0.00%
Change in net position	811,867	871,280	7,049	11,790	818,916	883,070	7.37%
Beginning net position	8,077,871	7,206,591	23,938	12,148	8,101,809	7,218,739	12.23%
Ending net position	\$ 8,889,738	8,077,871	30,987	23,938	8,920,725	8,101,809	10.11%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 81.14% of the revenue from governmental activities while charges for service and operating grants and contributions account for 97.28 % of the revenue from business type activities.

The District's total revenues were approximately \$8.49 million of which approximately \$8.20 million was for governmental activities and approximately \$0.29 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 6.45% increase in revenues and an 8.18% increase in expenses. The increase in revenue is primarily due to the increase in unrestricted state grant revenue received while the increase in expenses was related to increases instructional expenditures compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$8,205,280 and expenses were \$7,393,413.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,548,700	4,217,380	7.86%	3,332,799	2,741,421	21.57%
Support services	2,051,428	1,964,412	4.43%	1,997,557	1,952,522	2.31%
Non-instructional programs	-	17,783	100.00%	-	17,783	-100.00%
Other expenses	793,285	620,096	27.93%	571,465	382,125	49.55%
Totals	<u>\$ 7,393,413</u>	<u>6,819,671</u>	<u>8.41%</u>	<u>5,901,821</u>	<u>5,093,851</u>	<u>15.86%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,060,162.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$431,430.
- The net cost of governmental activities was financed with \$3,006,726 in property tax, \$308,875 in income surtax, \$485,001 in statewide sales, services and use tax, \$2,857,338 in unrestricted state grants, \$13,188 in interest income, and \$42,560 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$287,547 and expenses were \$280,498. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the 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 combined fund balance of \$9,067,612, above last year's ending fund balances of \$2,890,670. The primary reason for the increase in combined fund balances in fiscal 2014 is due to unspent general obligation bond proceeds from the July 1, 2013 bond issuance.

Governmental Fund Highlights

- The General Fund Balance decreased from \$1,981,737 at June 30, 2013 to \$1,948,647 at June 30, 2014. The primary reason for this decrease in fund balance was an increase in instructional expenditures compared to fiscal 2013. Also, General Fund expenditures outpaced revenues during the year.
- The Capital Projects Fund balance increased from \$596,726 at June 30, 2013 to \$6,718,545 at June 30, 2014. The Capital Projects: Statewide Sales, Service and Use Tax Fund increased from \$519,139 at June 30, 2013 to \$847,174 at June 30, 2014 while the Capital Projects: Physical, Plant and Equipment Levy decreased from \$77,587 at June 30, 2013 to \$16,215 at June 30, 2014. The General Obligation Bond Construction Fund balance increased for \$0 at June 30, 2013 to \$5,855,156 at June 30, 2014. The primary reasons for these increase in fund balance is due to the unspent general obligation bond proceeds in the Construction Fund from the July 1, 2013 bond issuance.
- The Debt Service Fund balance decreased from \$19,441 at June 30, 2013 to \$18,446 at June 30, 2014. The primary reason for this decrease in fund balance and increase in principal and interest expenditures compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$23,938 at June 30, 2013 to \$30,987 at June 30, 2014, representing an increase of 29.45%. Revenues increased over the prior year primarily due to increased revenue from operating grants and contributions, expenditures also increased during the year due to a decrease in salaries and benefits paid.

BUDGETARY HIGHLIGHTS

Over the course of the year Van Meter Community School District amended its budget one time to reflect additional expenditures associated with the District's construction projects and new state grant funding and the corresponding expenditures.

The District's revenues were \$237,699 more than budgeted revenues, a variance of 2.89%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$10,250,808, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$557,802.

The original cost of the District's capital assets was \$15,000,632. Governmental funds account for \$14,888,938 with the remainder of \$111,694 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$484,200 at June 30, 2014 as compared to \$0 at June 30, 2013. This increase was due expenditures associated with the District's eastern athletic complex being capitalized in fiscal 2014. The remaining portion as of June 30, 2014 is architect expenditures for the District's new building addition which will begin construction in fiscal 2015.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	2013-14
Land	\$ 801,592	801,592	-	-	801,592	801,592	0.00%
Construction in progress	484,200	-	-	-	484,200	-	100.00%
Buildings	5,523,231	5,728,155	-	-	5,523,231	5,728,155	-3.71%
Land improvements	2,550,601	958,206	-	-	2,550,601	958,206	62.43%
Machinery and equipment	868,225	1,010,941	22,959	12,258	891,184	1,023,199	-14.81%
Total	\$ 10,227,849	8,498,894	22,959	12,258	10,250,808	8,511,152	20.44%

Long-Term Debt

At June 30, 2014, the District had \$10,610,360 in general obligation bond, capital loan note and other long-term debt outstanding. This represents an increase of 200.58% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had total outstanding general obligation bond indebtedness at June 30, 2014 of \$9,645,000 payable from the Debt Service Fund.
- The District had total outstanding capital loan notes payable at June 30, 2014 of \$540,000 payable from the Capital Projects: Physical Plant and Equipment Levy Fund.
- The District had total outstanding computer lease indebtedness of \$318,172 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had total outstanding vending machine lease of \$4,181 at June 30, 2014, payable from the Enterprise, School Nutrition Fund.

- The District had total outstanding compensated absences payable from the General Fund of \$3,145 at June 30, 2014.
- The District had total outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$40,689 at June 30, 2014.
- The District had a net OPEB liability of \$59,173 at June 30, 2014. Governmental activities account for \$56,936 and business type activities account for \$2,237 of the total.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 9,645,000	2,340,000	-	-	9,645,000	2,340,000	312.18%
Capital loan note	540,000	670,000	-	-	540,000	670,000	-19.40%
Computer lease	318,172	428,443	-	-	318,172	428,443	-25.74%
Vending machine lease	-	-	4,181	-	4,181	-	100.00%
Compensated absences	3,145	2,969	-	-	3,145	2,969	5.93%
Termination benefits	40,689	76,444	-	-	40,689	76,444	-46.77%
Net OPEB liability	56,936	11,552	2,237	532	59,173	12,084	392.87%
Total	\$ 10,603,942	3,529,408	6,418	532	10,610,360	3,529,940	200.58%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The enrollment count taken in October 2013 used for budget enrollment for fiscal year 2015 decreased by 12 students, however the number of students served in the district increased by 7 students. This is due to the continual 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, so it will be important for the district to manage the expected, continual growth.
- The overall economic development of Dallas and Madison counties will directly impact the district. Historically the district's taxable valuation has increased 4% to 5% each year, but economic development and state legislation related to valuations will continue to be monitored by the district.
- The national economy, the State of Iowa's budget, and the future legislative decisions will impact schools significantly. Statewide one cent SAVE dollars are now divided per pupil statewide, rather than by individual county. These dollars have increased over the prior years for the district, but future trends will be impacted by how well the state economy does.
- The district will continue the construction project that began in the prior year which will include remodeling and adding additions to the current K-12 building. The district will need to monitor spending on this project and how the new construction impacts staffing needs and enrollment into the district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shonna Trudo, Board Secretary/District Treasurer, Van Meter Community School District, 520 1st Avenue; PO Box 257, Van Meter, Iowa, 50261

VAN METER COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 9,845,681	11,478	9,857,159
Receivables:			
Property tax:			
Delinquent	11,482	-	11,482
Succeeding year	3,038,720	-	3,038,720
Income surtax	257,980	-	257,980
Accounts	11,572	1,843	13,415
Due from other governments	235,725	-	235,725
Inventories	-	2,213	2,213
Capital assets, net of accumulated depreciation	10,227,849	22,959	10,250,808
TOTAL ASSETS	23,629,009	38,493	23,667,502
LIABILITIES			
Accounts payable	485,836	-	485,836
Salaries and benefits payable	538,042	692	538,734
Deposits payable	12,970	-	12,970
Accrued interest payable	59,761	-	59,761
Unearned revenue	-	396	396
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	375,000	-	375,000
Capital loan payable	130,000	-	130,000
Computer lease	103,521	-	103,521
Vending machine lease payable	-	1,660	1,660
Compensated absences payable	3,145	-	3,145
Termination benefits payable	25,773	-	25,773
Portion due after one year:			
General obligation bonds payable	9,270,000	-	9,270,000
Capital loan note payable	410,000	-	410,000
Computer lease payable	214,651	-	214,651
Vending machine lease payable	-	2,521	2,521
Termination benefits payable	14,916	-	14,916
Net OPEB liability	56,936	2,237	59,173
TOTAL LIABILITIES	11,700,551	7,506	11,708,057
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	3,038,720	-	3,038,720
NET POSITION			
Net investment in capital assets	5,579,833	22,959	5,602,792
Restricted for:			
Categorical funding	52,319	-	52,319
Management levy purposes	252,310	-	252,310
Student activities	88,948	-	88,948
School infrastructure	847,174	-	847,174
Physical plant and equipment	16,215	-	16,215
Unrestricted	2,052,939	8,028	2,060,967
TOTAL NET POSITION	\$ 8,889,738	30,987	8,920,725

SEE NOTES TO FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,195,928	736,146	90,810	-	(2,368,972)	-	(2,368,972)
Special	613,033	101,665	26,268	-	(485,100)	-	(485,100)
Other	739,739	222,351	38,661	-	(478,727)	-	(478,727)
	<u>4,548,700</u>	<u>1,060,162</u>	<u>155,739</u>	<u>-</u>	<u>(3,332,799)</u>	<u>-</u>	<u>(3,332,799)</u>
Support services:							
Student	109,728	-	-	-	(109,728)	-	(109,728)
Instructional staff	281,634	-	-	-	(281,634)	-	(281,634)
Administration	606,262	-	-	-	(606,262)	-	(606,262)
Operation and maintenance of plant	743,564	-	-	40,000	(703,564)	-	(703,564)
Transportation	310,240	-	13,871	-	(296,369)	-	(296,369)
	<u>2,051,428</u>	<u>-</u>	<u>13,871</u>	<u>40,000</u>	<u>(1,997,557)</u>	<u>-</u>	<u>(1,997,557)</u>
Long-term debt interest	341,143	-	-	-	(341,143)	-	(341,143)
Other expenditures:							
AEA flowthrough	221,820	-	221,820	-	-	-	-
Depreciation(unallocated)*	230,322	-	-	-	(230,322)	-	(230,322)
	<u>452,142</u>	<u>-</u>	<u>221,820</u>	<u>-</u>	<u>(230,322)</u>	<u>-</u>	<u>(230,322)</u>
Total governmental activities	7,393,413	1,060,162	391,430	40,000	(5,901,821)	-	(5,901,821)
Business type activities:							
Support services:							
Administration	3,031	-	-	-	-	(3,031)	(3,031)
Operation and maintenance of plant	553	-	-	-	-	(553)	(553)
Non-instructional programs:							
Nutrition services	276,914	196,096	83,620	-	-	2,802	2,802
Total business type activities	<u>280,498</u>	<u>196,096</u>	<u>83,620</u>	<u>-</u>	<u>-</u>	<u>(782)</u>	<u>(782)</u>
Total primary government	\$ <u>7,673,911</u>	<u>1,256,258</u>	<u>475,050</u>	<u>40,000</u>	<u>(5,901,821)</u>	<u>(782)</u>	<u>(5,902,603)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,906,911	-		1,906,911
Debt service				778,480	-		778,480
Capital outlay				321,335	-		321,335
Income surtax				308,875	-		308,875
Statewide sales, services and use tax				485,001	-		485,001
Unrestricted state grants				2,857,338	-		2,857,338
Unrestricted investment earnings				13,188		16	13,204
Other general revenues				42,560		7,815	50,375
Total general revenues				<u>6,713,688</u>	<u>7,831</u>		<u>6,721,519</u>
Change in net position				811,867	7,049		818,916
Net position beginning of year				<u>8,077,871</u>	<u>23,938</u>		<u>8,101,809</u>
Net position end of year				<u>\$ 8,889,738</u>	<u>30,987</u>		<u>8,920,725</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 2,583,800	6,863,303	15,449	383,129	9,845,681
Receivables:					
Property tax:					
Delinquent	6,237	1,237	2,997	1,011	11,482
Succeeding year	1,659,887	328,773	797,234	252,826	3,038,720
Income surtax	257,980	-	-	-	257,980
Accounts	9,837	-	-	1,735	11,572
Due from other governments	120,368	115,357	-	-	235,725
TOTAL ASSETS	\$ 4,638,109	7,308,670	815,680	638,701	13,401,160
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 220,556	261,352	-	3,928	485,836
Salaries and benefits payable	538,042	-	-	-	538,042
Deposits payable	12,970	-	-	-	12,970
Total liabilities	771,568	261,352	-	3,928	1,036,848
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,659,887	328,773	797,234	252,826	3,038,720
Income surtax	257,980	-	-	-	257,980
Total deferred inflows of resources	1,917,867	328,773	797,234	252,826	3,296,700
Fund balances:					
Restricted for:					
Categorical funding	52,319	-	-	-	52,319
Debt service	-	-	18,446	-	18,446
Management levy purposes	-	-	-	292,999	292,999
Student activities	-	-	-	88,948	88,948
School infrastructure	-	6,702,330	-	-	6,702,330
Physical plant and equipment	-	16,215	-	-	16,215
Assigned	62,632	-	-	-	62,632
Unassigned	1,833,723	-	-	-	1,833,723
Total fund balances	1,948,674	6,718,545	18,446	381,947	9,067,612
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,638,109	7,308,670	815,680	638,701	13,401,160

SEE NOTES TO FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 22)	\$	9,067,612
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		10,227,849
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.		(59,761)
Accounts receivable income surtax, are not yet available to pay current year expenditures and there fore, are recognized as deferred inflows of resources in the govenemental funds.		257,980
Long-term liabilities, bonds payable, capital loan payable, capital lease payable, compensated absences, termination benefits and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(10,603,942)</u>
Net position of governmental activities(page 20)	\$	<u>8,889,738</u>

SEE NOTES TO FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,926,935	321,335	778,480	265,958	3,292,708
Tuition	820,756	-	-	-	820,756
Other	83,153	51,996	378	232,042	367,569
State sources	3,097,084	485,001	-	80	3,582,165
Federal sources	119,189	-	-	-	119,189
TOTAL REVENUES	6,047,117	858,332	778,858	498,080	8,182,387
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,916,676	93,414	-	83,886	3,093,976
Special	605,094	-	-	-	605,094
Other	511,215	-	-	223,049	734,264
	4,032,985	93,414	-	306,935	4,433,334
Support services:					
Student	109,154	-	-	-	109,154
Instructional staff	278,060	-	-	-	278,060
Administration	671,605	11,718	1,000	22,229	706,552
Operation and maintenance of plant	553,578	4,843	-	70,637	629,058
Transportation	244,515	33,695	-	9,098	287,308
	1,856,912	50,256	1,000	101,964	2,010,132
Non-instructional programs:					
Food service operations	-	-	-	-	-
Capital outlay	-	2,211,462	-	-	2,211,462
Long-term debt:					
Principal	-	-	735,271	-	735,271
Interest and fiscal charges	-	-	298,754	-	298,754
	-	-	1,034,025	-	1,034,025
Other expenditures:					
AEA flowthrough	221,820	-	-	-	221,820
TOTAL EXPENDITURES	6,111,717	2,355,132	1,035,025	408,899	9,910,773
Excess(Deficiency) of revenues over(under) expenditures	(64,600)	(1,496,800)	(256,167)	89,181	(1,728,386)
OTHER FINANCING SOURCES(USES):					
Premiums on bond issuance	-	192,741	-	-	192,741
Discount on bond issuance	-	(118,950)	-	-	(118,950)
General obligation bond issuance	-	7,800,000	-	-	7,800,000
Transfer in	-	-	255,172	-	255,172
Transfer out	-	(255,172)	-	-	(255,172)
Insurance proceeds	2,884	-	-	-	2,884
Sale of equipment	28,653	-	-	-	28,653
Total other financing sources(uses)	31,537	7,618,619	255,172	-	7,905,328
Change in fund balances	(33,063)	6,121,819	(995)	89,181	6,176,942
Fund balance beginning of year	1,981,737	596,726	19,441	292,766	2,890,670
Fund balance end of year	\$ 1,948,674	6,718,545	18,446	381,947	9,067,612

SEE NOTES TO FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 24) \$ 6,176,942

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

Capital outlay 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. The amounts of capital outlay and depreciation expense for the year are as follows:

Capital outlay	\$ 2,282,720	
Depreciation expense	<u>(553,765)</u>	1,728,955

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. repayments, are as follows:

Issued	(7,800,000)	
Repaid	<u>735,271</u>	(7,064,729)

Income surtax accounts receivable is not available revenue and is recognized as deferred inflows of resources in the governmental funds.

22,893

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.

(42,389)

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	35,755	
Compensated absences	(176)	
Other postemployment benefits	<u>(45,384)</u>	<u>(9,805)</u>

Change in net position of governmental activities(page 21) \$ 811,867

SEE NOTES TO FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

		Enterprise School Nutrition
ASSETS		
Current assets:		
Cash and pooled investments	\$	11,478
Accounts receivable		1,843
Inventories		2,213
		15,534
Noncurrent assets:		
Capital assets, net of accumulated depreciation		22,959
TOTAL ASSETS		38,493
LIABILITIES		
Current liabilities		
Salaries and benefits payable		692
Unearned revenue		396
Total current liabilities		1,088
Noncurrent liabilities:		
Vending machine lease payable		4,181
Net OPEB liability		2,237
Total noncurrent liabilities		6,418
TOTAL LIABILITIES		7,506
NET POSITION		
Net investment in capital assets		22,959
Unrestricted		8,028
TOTAL NET POSITION	\$	30,987

SEE NOTES TO FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 196,096
Miscellaneous	7,815
TOTAL OPERATING REVENUES	203,911
OPERATING EXPENSES:	
Support services:	
Administration:	
Other	3,031
Operation and maintenance of plant:	
Services	553
Total support services	3,584
Non-instructional programs:	
Food service operations:	
Salaries	71,369
Benefits	32,095
Supplies	167,944
Depreciation	4,037
Other	425
Total non-instructional programs	275,870
TOTAL OPERATING EXPENSES	279,454
OPERATING LOSS	(75,543)
NON-OPERATING REVENUES(EXPENSES):	
Interest expense (lease)	(1,044)
State sources	2,565
Federal sources	81,055
Interest income	16
TOTAL NON-OPERATING REVENUES(EXPENSES)	82,592
Change in net position	7,049
Net position beginning of year	23,938
Net position end of year	\$ 30,987

SEE NOTES TO FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 191,451
Cash received from miscellaneous activities	7,815
Cash payments to employees for services	(104,840)
Cash payments to suppliers for goods or services	(164,794)
Net cash used in operating activities	(70,368)
Cash flows from non-capital financing activities:	
State grants received	2,565
Federal grants received	73,529
Net cash provided by non-capital financing activities	76,094
Cash flows from capital financing activities:	
Acquisition of assets	(14,738)
Proceeds from vending machine lease	5,544
Principal payment on vending machine lease	(1,363)
Interest payment on vending machine lease	(1,044)
Net cash used in capital financing activities	(11,601)
Cash flows from investing activities:	
Interest on investments	16
Net decrease in cash and cash equivalents	(5,859)
Cash and cash equivalents beginning of year	17,337
Cash and cash equivalents end of year	\$ 11,478
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (75,543)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	7,526
Depreciation	4,037
Decrease in inventories	55
Decrease in accounts receivable	1,636
Decrease in accounts payable	(422)
Decrease in salaries and benefits payable	(3,081)
Decrease in deferred revenue	(6,281)
Increase in other postemployment benefits	1,705
Net cash used in operating activities	\$ (70,368)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$7,526.

During the year ended June 30, 2014, the District entered into a lease purchase agreement with Inland leasing company for a new vending machine. The proceeds from the purchase of the vending machine were capitalized on the District's capital asset listing.

SEE NOTES TO FINANCIAL STATEMENTS

VAN METER COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The Van Meter Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education kindergarten. 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 District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary 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 Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation plus unspent bond proceeds reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account 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 property tax and other revenues to be used for the payment of principal and interest on the District's general long-term debt.

The District reports the following nonmajor proprietary fund:

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

The District also reports fiduciary funds which focus on net position and changes in net position. 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible

within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

The following accounting policies are followed in preparing the financial statements:

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.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 years
Land improvements	20-40 years
Intangibles	3-20 years
Machinery and equipment	5-20 years

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

Deposits Payable - Liability for deposits received as a prerequisite to provide or receive services, goods or both.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

Deferred Inflows of Resources - 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 year. Deferred inflows of resources 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 year. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Fund Balances - 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 are not available for appropriation but are set aside for a specific purposes by the District's Board of Directors.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits at June 30, 2014 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, 2014, the District had investments in the Iowa School Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,594,115 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa School Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects: Physical Plant and Equipment Levy	\$ 143,917
Debt Service		
	Capital Projects: Statewide Sales, Services and Use Tax	111,255
Debt Service		
Total		<u>\$ 255,172</u>

The Capital Projects: Physical Plant and Equipment Levy Fund transferred money to the Debt Service Fund for principal payment on the District's capital loan note indebtedness.

The Capital Projects: Statewide Sales, Services and Use Tax Fund transferred money to the Debt Service Fund for principal and interest payments on the District's computer lease indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 801,592	-	-	801,592
Construction in progress	-	2,101,993	1,617,793	484,200
Total capital assets not being depreciated	<u>801,592</u>	<u>2,101,993</u>	<u>1,617,793</u>	<u>1,285,792</u>
Capital assets being depreciated:				
Buildings	8,966,289	-	-	8,966,289
Land improvements	1,009,002	1,617,793	-	2,626,795
Machinery and equipment	2,402,537	180,727	573,202	2,010,062
Total capital assets being depreciated	<u>12,377,828</u>	<u>1,798,520</u>	<u>573,202</u>	<u>13,603,146</u>
Less accumulated depreciation for:				
Buildings	3,238,134	204,924	-	3,443,058
Land improvements	50,796	25,398	-	76,194
Machinery and equipment	1,391,596	323,443	573,202	1,141,837
Total accumulated depreciation	<u>4,680,526</u>	<u>553,765</u>	<u>573,202</u>	<u>4,661,089</u>
Total capital assets being depreciated, net	<u>7,697,302</u>	<u>1,244,755</u>	<u>-</u>	<u>8,942,057</u>
Governmental activities capital assets, net	<u>\$ 8,498,894</u>	<u>3,346,748</u>	<u>1,617,793</u>	<u>10,227,849</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 96,956	14,738	-	111,694
Less accumulated depreciation	84,698	4,037	-	88,735
Business type activities capital assets, net	<u>\$ 12,258</u>	<u>10,701</u>	<u>-</u>	<u>22,959</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 243,360
Other	4,382

Support services:

Administration	4,740
Operation and maintenance of plant	11,458
Transportation	59,503
	<u>323,443</u>

Unallocated depreciation

230,322

Total governmental activities depreciation expense

\$ 553,765

Business type activities:

Food service operations	<u>\$ 4,037</u>
-------------------------	-----------------

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Reduction	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,340,000	7,800,000	495,000	9,645,000	375,000
Capital loan note	670,000	-	130,000	540,000	130,000
Computer lease	428,443	-	110,271	318,172	103,521
Compensated absences	2,969	3,145	2,969	3,145	3,145
Termination benefits	76,444	-	35,755	40,689	25,773
Net OPEB liability	11,552	45,384	-	56,936	-
Total	<u>\$ 3,529,408</u>	<u>7,848,529</u>	<u>773,995</u>	<u>10,603,942</u>	<u>637,439</u>
Business type activities					
Vending machine lease	\$ -	5,544	1,363	4,181	1,660
Net OPEB liability	532	1,705	-	2,237	-
	<u>\$ 532</u>	<u>7,249</u>	<u>1,363</u>	<u>6,418</u>	<u>1,660</u>

General Obligation Bonds

Details of the District's June 30, 2014 general obligation indebtedness are as follows:

Year Ending June 30,	Bond Issue Dated November 1, 2005			Bond Issue Dated July 1, 2013				Total		
	Rate	Principal	Interest	Rate	Principal	Interest	Total	Principal	Interest	Total
2015	4.00 %	\$ 310,000	80,658	2.00 %	\$ 65,000	226,275	291,275	\$ 375,000	371,933	746,933
2016	3.80	320,000	68,257	2.00	70,000	224,975	294,975	390,000	363,232	753,232
2017	3.85	335,000	56,097	2.00	65,000	223,575	288,575	400,000	344,672	744,672
2018	4.00	345,000	43,200	2.00	70,000	222,275	292,275	415,000	335,475	750,475
2019	4.00	360,000	29,400	2.00	70,000	220,875	290,875	430,000	320,275	750,275
2020-2024	4.00	375,000	15,000	2.00-3.00	2,005,000	1,020,500	3,025,500	2,380,000	3,040,500	5,420,500
2025-2029		-	-	3.00	2,740,000	676,675	3,416,675	2,740,000	3,416,675	6,156,675
2030-2033		-	-	3.00-3.50	2,515,000	220,650	2,735,650	2,515,000	2,735,650	5,250,650
Total		\$ 2,045,000	292,612		\$ 7,600,000	3,035,800	10,635,800	\$ 9,645,000	10,928,412	20,573,412

Capital Loan Notes

The District issued \$925,000 of capital loan notes during the year ended June 30, 2011. Details of the capital loan note indebtedness are as follows:

Year Ending June 30,	Capital Loan Note Dated June 1, 2011			
	Rate	Principal	Interest	Total
2015	1.65 %	\$ 130,000	11,727	141,727
2016	2.05	135,000	9,583	144,583
2017	2.30	135,000	6,815	141,815
2018	2.65	140,000	3,710	143,710
Total		\$ 540,000	31,835	571,835

Computer Lease

Details of the District's June 30, 2014 computer lease indebtedness are as follows:

Year Ending June 30,	Computer Lease Dated June 1, 2013			
	Rate	Principal	Interest	Total
2015	1.15 %	\$ 103,521	7,734	111,255
2016	1.15	106,037	5,218	111,255
2017	1.15	108,614	2,640	111,254
Total		\$ 318,172	15,592	333,764

Vending Machine Lease

Details of the District's June 30, 2014 computer lease indebtedness to be paid from the Enterprise, School Nutrition Fund are as follows:

Year Ending June 30,	Vending Machine Lease Dated October 18, 2012			
	Rate	Principal	Interest	Total
2015	17.88 %	\$ 1,660	747	2,407
2016	15.24	2,023	384	2,407
2017	7.57	498	38	536
Total		\$ 4,181	1,169	5,350

Termination Benefits

The District did not offer any early retirement incentive to its employees for fiscal year 2014. However, the District offered a voluntary early retirement plan to its certified and classified employees for the years 2008 through 2012. Eligible employees must have been at least age fifty-five and the employees must have completed ten years of service to the District. Employees must have completed an application which was approved by the Board of Directors.

The 2012 Early Retirement benefit for each eligible employee was equal to 40% of the contract year's IPERS wages and \$30 per day of unused sick leave. Payments will were made twice a year over three years.

At June 30, 2014, the District has termination benefit obligation to two participants with a total liability of \$40,689. Actual termination benefit expenditures for the year ended June 30, 2014 totaled \$35,755. Termination benefits are recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$324,444, \$278,191, and \$268,199 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical benefits for employees, retirees and their spouses. There are 74 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate 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 funding which, 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 67,000
Interest on net OPEB obligation	544
Adjustment to annual required contribution	(455)
Annual OPEB cost	<u>67,089</u>
Contributions made	<u>(20,000)</u>
Increase in net OPEB obligation	47,089
Net OPEB obligation beginning of year	<u>12,084</u>
Net OPEB obligation end of year	<u><u>\$ 59,173</u></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, 2014.

For the ended June 30, 2014, the District contributed \$20,000 to the medical plan. Plan members eligible for benefits contributed \$19,000 or 48.72% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 52,084	88.00%	\$ 7,084
2013	67,000	92.54%	12,084
2014	67,089	29.81%	59,173

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$292,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$292,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,987,000 and the ratio of UAAL to covered payroll was 14.7%. As of June 30, 2014 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, presents 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 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy the projected annual medical rate is 10%. The ultimate medical tend rate is 5%. The medical tend rate is reduced 0.5% each year until reaching the 5% ultimate tend rate.

Mortality rates are from RP-2000 Group Annuity Mortality Table. The UAAL is being amortized as a level percentage projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$221,820 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Limited english proficeincy weighting	\$ 1,269
At-risk supplemental weighting	4,099
Beginning teacher mentoring and induction	4,155
Teacher salary supplement	25,577
Market factor	1,021
Sucessful progression for early readers	14,353
Professional development	1,845
Total	\$ 52,319

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amount budgeted.

(12) Construction Commitments

As of June 30, 2014, the District has not entered into any construction contracts. However, at June 30, 2014, the District has architectural fees as construction in progress for upgrades to the District's building addition. This project is expected to begin construction in fiscal 2015. Once completed, the costs of the projects will be added to the District's capital asset listing.

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	Invested in Capital Assets	Management Levy	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	292,999	6,702,330	18,446	1,833,723
Invested in capital assets, net of accumulated depreciation	10,227,849	-	-	-	-
General obligation bond capitalized indebtedness	(3,789,844)	-	-	-	-
Unspent general obligation bond proceeds	-	-	(5,855,156)	-	-
Capital lone note capitalized indebtedness	(540,000)	-	-	-	-
Computer lease capitalized indebtedness	(318,172)	-	-	-	-
Termination benefits	-	(40,689)	-	-	-
Accrued compensated absences	-	-	-	-	(3,145)
Accrued interest payable	-	-	-	(18,446)	(41,315)
Income Surtax	-	-	-	-	257,980
Net OPEB liability	-	-	-	-	(56,936)
Assigned fund balance	-	-	-	-	62,632
Net position (Exhibit A)	\$ 5,579,833	252,310	847,174	-	2,052,939

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

VAN METER COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,481,033	203,927	4,684,960	5,009,173	5,009,173	(324,213)
State sources	3,582,165	2,565	3,584,730	2,972,062	2,972,062	612,668
Federal sources	119,189	81,055	200,244	251,000	251,000	(50,756)
Total revenues	8,182,387	287,547	8,469,934	8,232,235	8,232,235	237,699
Expenditures/expenses:						
Instruction	4,433,334	-	4,433,334	4,970,000	5,270,000	836,666
Support services	2,010,132	3,584	2,013,716	2,607,150	2,607,150	593,434
Non-instructional programs	-	276,914	276,914	420,000	420,000	143,086
Other expenditures	3,467,307	-	3,467,307	1,281,894	3,281,894	(185,413)
Total expenditures/expenses	9,910,773	280,498	10,191,271	9,279,044	11,579,044	1,387,773
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,728,386)	7,049	(1,721,337)	(1,046,809)	(3,346,809)	1,625,472
Other financing sources, net	7,905,328	-	7,905,328	(155,000)	(155,000)	8,060,328
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	6,176,942	7,049	6,183,991	(1,201,809)	(3,501,809)	9,685,800
Balance beginning of year	2,890,670	23,938	2,914,608	2,387,099	2,387,099	527,509
Balance end of year	\$ 9,067,612	30,987	9,098,599	1,185,290	(1,114,710)	10,213,309

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VAN METER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$2,300,000.

During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amount budgeted.

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 (b/a)	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%
2013	July 1, 2012	-	292,000	292,000	0.0%	1,537,000	19.0%
2014	July 1, 2012	-	292,000	292,000	0.0%	1,987,000	14.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

VAN METER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 291,988	91,141	383,129
Receivables:			
Property tax:			
Delinquent	1,011	-	1,011
Succeeding year	252,826	-	252,826
Accounts	-	1,735	1,735
TOTAL ASSETS	\$ 545,825	92,876	638,701
LIABILITIES, DEFERRED INFLOWS OF RESROUCES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	3,928	3,928
Deferred revenue:			
Unavialable revenue:			
Succeeding year property tax	252,826	-	252,826
Fund Balances:			
Restricted for:			
Management levy purposes	292,999	-	292,999
Student activities	-	88,948	88,948
Total fund balances	292,999	88,948	381,947
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 545,825	92,876	638,701

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VAN METER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 265,958	-	265,958
Other	11,947	220,095	232,042
State sources	80	-	80
Total revenues	<u>277,985</u>	<u>220,095</u>	<u>498,080</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	83,886	-	83,886
Other	-	223,049	223,049
Support services:			
Administration	22,115	114	22,229
Operation and maintenance of plant	70,637	-	70,637
Transportation	9,098	-	9,098
Total expenditures	<u>185,736</u>	<u>223,163</u>	<u>408,899</u>
Excess(Deficiency) of revenues over (under) expenditures	92,249	(3,068)	89,181
Fund balances beginning of year	<u>200,750</u>	<u>92,016</u>	<u>292,766</u>
Fund balances end of year	<u>\$ 292,999</u>	<u>88,948</u>	<u>381,947</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VAN METER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	GO Bond Construction	
ASSETS				
Cash and pooled investments	\$ 731,817	42,346	6,089,140	6,863,303
Receivables:				
Property tax:				
Delinquent	-	1,237	-	1,237
Succeeding year	-	328,773	-	328,773
Due from other governments	115,357	-	-	115,357
TOTAL ASSETS	\$ 847,174	372,356	6,089,140	7,308,670
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	27,368	233,984	261,352
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	328,773	-	328,773
Fund balances:				
Restricted for:				
School infrastructure	847,174	-	5,855,156	6,702,330
Physical plant and equipment	-	16,215	-	16,215
Total fund balances	847,174	16,215	5,855,156	6,718,545
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 847,174	372,356	6,089,140	7,308,670

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VAN METER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	GO Bond Construction	
REVENUES:				
Local sources:				
Local tax	\$ -	321,335	-	321,335
Other	1,362	40,500	10,134	51,996
State sources	485,001	-	-	485,001
TOTAL REVENUES	486,363	361,835	10,134	858,332
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	-	93,414	-	93,414
Support services:				
Administration	-	-	11,718	11,718
Operation and maintenance of plant	-	4,843	-	4,843
Transportation	-	33,695	-	33,695
Capital outlay	47,073	147,338	2,017,051	2,211,462
TOTAL EXPENDITURES	47,073	279,290	2,028,769	2,355,132
Excess(Deficiency) of revenues over (under) expenditures	439,290	82,545	(2,018,635)	(1,496,800)
OTHER FINANCING SOURCES(USES):				
Premium on bond issuance	-	-	192,741	192,741
Discount on bond issuance	-	-	(118,950)	(118,950)
General obligation bond issuance	-	-	7,800,000	7,800,000
Transfer out	(111,255)	(143,917)	-	(255,172)
TOTAL OTHER FINANCING SOURCES(USES)	(111,255)	(143,917)	7,873,791	7,618,619
Change in fund balances	328,035	(61,372)	5,855,156	6,121,819
Fund balance beginning of year	519,139	77,587	-	596,726
Fund balance end of year	\$ 847,174	16,215	5,855,156	6,718,545

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VAN METER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
ART TO REMEMBER	\$ 3,752	4,311	3,113	-	4,950
ATHLETICS	15,540	106,632	111,570	-	10,602
BASEBALL	1,232	6,625	7,121	-	736
BASKETBALL - BOYS	3,530	4,349	3,923	-	3,956
BASKETBALL - GIRLS	212	2,621	1,200	-	1,633
BOOK TOURNAMENT	148	-	-	-	148
CAP AND GOWN	573	1,175	1,485	-	263
CLASS OF 2014	2,245	-	2,218	(27)	-
CLASS OF 2015	2,054	7,103	7,042	(1,915)	200
CLASS OF 2016	2,421	492	-	1,942	4,855
CLASS OF 2017	2,690	428	-	-	3,118
CLASS OF 2018	2,464	680	-	-	3,144
CLASS OF 2019	1,155	370	-	-	1,525
CLASS OF 2020	-	285	-	-	285
COFFEE SHOP	1,188	2,221	2,609	-	800
CROSS COUNTRY	68	1,068	1,009	-	127
DISTRICT FOOTBALL	894	-	154	-	740
DISTRICT MUSIC	387	-	-	-	387
DRAMA	4,256	2,084	1,260	-	5,080
ELEMENTARY DRAMA	185	200	-	-	385
ELEMENTARY MUSIC - RESALE	63	34	33	-	64
ELEMENTARY SCIENCE CLUB	1,927	1,460	170	-	3,217
ELEMENTARY SPANISH CLUB	300	575	-	-	875
ELEMENTARY YEARBOOK	135	780	-	-	915
ENGINEERING FAIR	500	-	-	-	500
FCCLA	104	793	662	-	235
FOOTBALL	16,428	36,069	44,474	-	8,023
GOLF	75	5,427	785	-	4,717
HEART ASSOCIATION	198	1,266	1,266	-	198
HUSS MEMORIAL	120	-	-	-	120
INTEREST- CHECKING	3	116	114	-	5
JUNIOR ACHEIVEMENT	162	-	-	-	162
JUNIOR HIGH BOYS BASKETBALL	142	-	-	-	142
JUNIOR HIGH SOFTBALL	289	-	-	-	289
KIDS IN CULTURE	1,643	1,056	1,651	-	1,048
NATIONAL HONOR SOCIETY	131	371	165	-	337
PEP CLUB	2,727	1,306	2,480	-	1,553
POTTERY	635	-	-	-	635
PUPPY DOG OLYMPICS	-	2,355	2,355	-	-
READING INCENTIVE	308	-	-	-	308
READING NIGHT	202	-	-	-	202

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
SHES THE FIRST	40	-	-	-	40
SOFTBALL	1,566	400	990	-	976
SPANISH CLUB	425	251	220	-	456
STEELE MEMORIAL	475	-	-	-	475
STEWART MEMORIAL	4	-	-	-	4
STUDENT COUNCIL	4,515	3,420	2,390	-	5,545
STUDENT LEAD DRAMA	1,404	-	-	-	1,404
TECHNOLOGY CLUB	228	134	-	-	362
THIRD GRADE QUILT CLUB	1	-	-	-	1
TRACK- BOYS	148	580	473	-	255
TRACK - GIRLS	316	255	33	-	538
TRACK - JH GIRLS	3	20	-	-	23
VOLLEYBALL	4,135	12,347	12,885	-	3,597
WALLACE SUMMER PROGRAM	57	-	57	-	-
WRESTLING	1,057	1,411	1,633	-	835
YEARBOOK	6,556	9,025	7,623	-	7,958
Total	\$ 92,016	220,095	223,163	-	88,948

VAN METER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 250	71,665	71,915	-
Due from other governments	18,500	-	18,500	-
TOTAL ASSETS	\$ 18,750	71,665	90,415	-
LIABILITIES				
Due to other governments	\$ 18,750	71,665	90,415	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VAN METER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES/EXPENSES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,292,708	3,641,505	3,692,291	3,588,383	3,158,528	3,029,929	2,858,623	2,649,929	2,503,077	2,387,738
Tuition	820,756	682,010	536,289	545,009	460,649	390,142	432,871	472,837	391,969	300,265
Other	367,569	312,810	407,937	268,048	425,051	432,155	431,597	366,389	282,494	221,687
Intermediate sources	-	-	-	2,000	-	-	-	-	-	-
State sources	3,582,165	2,919,139	2,895,529	2,743,278	2,389,027	2,854,673	2,490,741	2,410,182	2,219,868	1,941,464
Federal sources	119,189	119,377	233,924	198,132	391,956	164,380	116,994	110,300	129,429	201,293
Total	\$ 8,182,387	7,674,841	7,765,970	7,344,850	6,825,211	6,871,279	6,330,826	6,009,637	5,526,837	5,052,447
Expenditures:										
Current:										
Instruction	\$ 4,433,334	4,580,844	3,765,992	3,644,839	3,704,413	4,368,960	3,373,847	2,997,996	2,858,668	2,670,722
Support services:										
Student	109,154	112,741	114,371	104,673	157,023	150,000	142,830	154,566	135,302	130,739
Instructional staff	278,060	212,639	324,500	322,051	343,009	232,771	227,309	218,482	233,523	279,129
Administration	706,552	675,129	859,613	731,409	724,426	712,564	726,008	662,177	646,254	531,237
Operation and maintenance										
of plant	629,058	617,719	609,774	521,570	447,452	499,358	415,721	372,945	486,722	370,932
Transportation	287,308	330,942	258,740	226,191	412,192	292,917	353,430	177,820	143,044	185,319
Non-instructional programs	-	17,783	9,172	-	3,092	3,751	-	-	-	-
Capital outlay	2,211,462	58,348	549,378	761,039	158,894	889,151	342,004	31,641	827,646	301,395
Long-term debt:										
Principal	735,271	592,860	627,837	489,874	3,604,500	255,746	330,967	280,000	270,000	255,000
Interest and fiscal charges	298,754	118,510	133,214	137,587	306,040	322,159	331,056	342,008	292,308	239,631
Other expenditures:										
AEA flow-through	221,820	212,046	210,235	228,297	220,114	202,486	177,738	169,033	152,401	137,762
Total	\$ 9,910,773	7,529,561	7,462,826	7,167,530	10,081,155	7,929,863	6,420,910	5,406,668	6,045,868	5,101,866

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 5, 2015.

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.

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, we identified a deficiencies in internal control over financial reporting we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-B-14 to I-D-14 to be significant deficiencies.

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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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

Van Meter Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.



NOLTE, CORNMAN & JOHNSON, P.C.

January 5, 2015
Newton, Iowa

VAN METER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Receipts - collecting recording, journalizing, posting and reconciling.
- 2) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting.
- 3) Financial reporting - preparing, and, reconciling.
- 4) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - The district is aware of the need to continue to improve internal controls. With limited number of office employees, other staff including the Superintendent and another secretary are involved in dual control type activities wherever possible. The district also changed to a different online payment system/web store mid-year in an effort to collect more money on-line and reducing the amount of cash that is processed in the office. The Business Office Procedures manual will continue to be monitored and updated to incorporate additional internal controls.

Conclusion - Response accepted.

I-B-14 Gate Receipts - We noted that the District does not use pre-numbered tickets for all events that require an admission.

Recommendation -The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.

- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number, times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The district will work with the Activities Director to implement the use of pre-numbered tickets for events requiring admission. The detailed procedures for receiving gate receipts in the Business Office Procedures Manual will be updated and shared with the appropriate personnel.

Conclusion - Response accepted.

- I-C-14 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student account balances on the books. It was noted that some of the negative accounts appear to be excessive in amount.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - District procedures and policies in regard to negative student lunch balances will be reviewed and updated in the Business Office Procedures Manual. Additional communication methods will be increased to ensure all parents are getting timely notifications of their family lunch balances including but not limited to emails, written letters, and phone calls.

Conclusion - Response accepted.

I-D-14 Scholarship Awards - We noted during our audit that the District issued checks for scholarships in the name of the student only. A scholarship is exempt from state and federal taxes if the student uses the scholarship award to pay for tuition expenses.

Recommendation - If the District continues to award checks in the name of the student only for scholarships, the District should issue the students a W-2, in order to be in compliance with IRS requirements. Then the District should issue scholarship checks in the names of the student and the college/university the student is attending once proof of attendance has been provided to the District. This way the District can ensure that scholarships are properly reported on the student's federal 1098T, where the amount will not be subject to federal tax withholdings.

Response - The District issues a very limited number of scholarships, but in the future an approved scholarship check will be made out to the name of the college the student is attending once proof of attendance is received, rather than directly to the student.

Conclusion - Response accepted.

VAN METER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the certified amounts in the other expenditures functional area.

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

Response - The district slightly exceeded the certified budget in the 'other' expenditure category due to a construction project late in the fiscal year. The district will continue to monitor the four areas of the certified budget throughout the year to ensure budgets are not exceeded.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted during our audit that the District purchased a \$50 itunes gift card with the District's credit card out of the General Fund. Giving cash or gift certificates/cards does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

Response - The instance of issuing a \$50 I-tunes gift card was an unusual circumstance where a teacher had been granted \$50 to purchase electronic apps to be used for classroom instruction. The district will no longer issue gift cards.

Conclusion - Response accepted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - No business transactions between the District and District officials were noted.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. We noted a sharing adjustment of +5.0 for a shared transportation director on the fall 2013 count date.

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

Response - The district has been in contact with the Department of Education regarding this sharing adjustment of +5 for a shared transportation director from the fall 2013 data collection. The district will include this adjustment on the FY16 certified budget that is filed with the Department of Management. The District's auditors will also contact the Department of Management and Department of Education on the District's behalf to resolve this matter.

Conclusion - Response accepted.

II-I-14 Deposits and Investments - We noted no instances on 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.

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-14 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, 2014, the District reported the following information regarding the Statewide Sales, Services and Use Tax revenue in the District's CAR:

Beginning balance		\$	519,139
Revenues:			
Sales tax revenues	\$	485,001	
Other local revenues		1,362	486,363
			<u>1,005,502</u>
Expenditures/transfers out:			
School infrastructure construction		47,073	
Transfers to other funds:			
Debt service fund		111,255	158,328
			<u>158,328</u>
Ending balance		\$	<u><u>847,174</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-14 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281- 12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Scholarships: We noted scholarship awarded from the activity fund Coffee Shop account within the Student Activity Fund. Money in the Student Activity Fund is considered to be public funds and is inappropriate to be given to individuals.

Recommendation - If the District plans on awarding scholarships in the future the District should establish a Scholarship Fund to enable recording revenues and expenses appropriately.

Response - The district will record revenues and expenses related to issuing scholarships in a Scholarship Fund.

Conclusion - Response accepted.

Questionable Accounts: We noted a Kids in Culture, Art to Remember, Reading Incentives, Pottery Fundraisers, Elementary Science Club and Reading Night accounts in the Student Activity Fund. The revenues and expenditures related to these accounts appear to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Kids in Culture, Art to Remember, Reading Incentives, Pottery Fundraisers, Elementary Science Club and Reading Night accounts appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - The district will correct the listed accounts and have the School Board approve to move these accounts to the general fund, due to their instructional nature. In the future, only revenues and expenditures related to the district's co-curricular and extracurricular activities will be included in the Student Activity Fund.

Conclusion - Response accepted.

Inactive Accounts: We noted a Steel Memorial, Stewart Memorial and Huss Memorial accounts within the Student Activity Fund which were not used during the year but are still carrying balances as of the end of the year.

Recommendation - The purpose of the memorial accounts should be reviewed by the District. If they money is determined to be inappropriate for the Student Activity Fund the District should move the remaining money to the appropriate account or fund as necessary.

Response - Monies in these inactive accounts will be reviewed for the intended purpose and either spent out of the Student Activity Fund or transferred, by Board approval, to the general fund to be expended there.

Conclusion - Response accepted.

Fundraiser Accounts - We noted during our audit a Book Tournament, Jr. Achievement, Heart Association, Third Grade Quilt, She's the First and an Engineering Fair accounts is being maintained by the Student Activity Fund. It appears that these accounts are used to record various Student Activity Fund fundraisers.

Recommendation - The District should review the purpose of the aforementioned accounts. If they are indeed for fundraisers, the proceeds should be receipted directly into the account that is performing the fundraiser instead of into a fundraiser account. If that cannot be determined, then the District should contact the Board of Directors to determine what they would like to do with the money.

Response - The monies in these fundraiser accounts mentioned will be reviewed and transferred to the appropriate Student Activity Fund account that performed the fundraiser.

Conclusion - Response accepted.

Resale Account: We noted during our audit that the District has an Elementary Resale account in that Student Activity Fund that is used to track revenues and expenses for music supplies. According to Chapter 301.1 of the Code of Iowa, sales of school supplies (commonly called resale) shall be accounted for in the General Fund.

Recommendation - Any remaining balance in the High School Music Resale account and the Middle School Music Resale account in the Student Activity Fund should be moved to the General Fund to be in compliance with 301.1 of the Code of Iowa.

Response - Any account balance remaining in the music resale accounts will be moved, by Board approval, to the general fund.

Conclusion - Response accepted.

II-N-14 **Non-certified Time Sheets** - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The district will work with the Activities Director to establish procedures for tracking the hours worked for non-certified coaches.

Conclusion - Response accepted.

II-O-14 Payroll Authorization - We noted during our audit, the District does not maintain the written authorization to mail employees' payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should maintain written authorization from each employee who desires to receive a payroll check by mail.

Response - The district will no longer mail payroll checks.

Conclusion - Response accepted.

II-P-14 Rents - We noted during our audit that the District receives money for the use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The district will receipt a portion of the money received for hosting district and regional events to the general fund for rent for facility usage.

Conclusion - Response accepted.