

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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## Independent Auditor's Report

To the Board of Education of  
Nodaway Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District, Greenfield, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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 Nodaway Valley Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, Nodaway Valley Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 28, 2004, on our consideration of Nodaway Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nodaway Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

September 28, 2004

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Nodaway Valley 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **Financial Highlights**

- General Fund revenues increased from \$5,685,268 in fiscal 2003 to \$5,752,031 in fiscal 2004, while General Fund expenditures decreased from \$5,474,859 in fiscal 2003 to \$5,429,778 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$353,531 in fiscal 2003 to \$677,358 in fiscal 2004, a 91.6 percent increase from the prior year.
- The increase in General Fund revenues was primarily attributable to receiving the income surtax portion of the Instructional Support Levy for the first time and an increase in the cash reserve levy. The decrease in expenditures was due primarily to the District's hiring and retention policy.
- Open enrollment net costs for fiscal 2004 were \$12,532 compared to fiscal 2003 costs of \$27,072, a decrease of \$14,540.
- The District experienced an increase in revenues in spite of the across-the-board cut of 2.25% made by the Legislature in fiscal 2004.

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## Overview of the Financial Statements

This report consists of three parts: management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District’s operations in more detail than the Government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

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

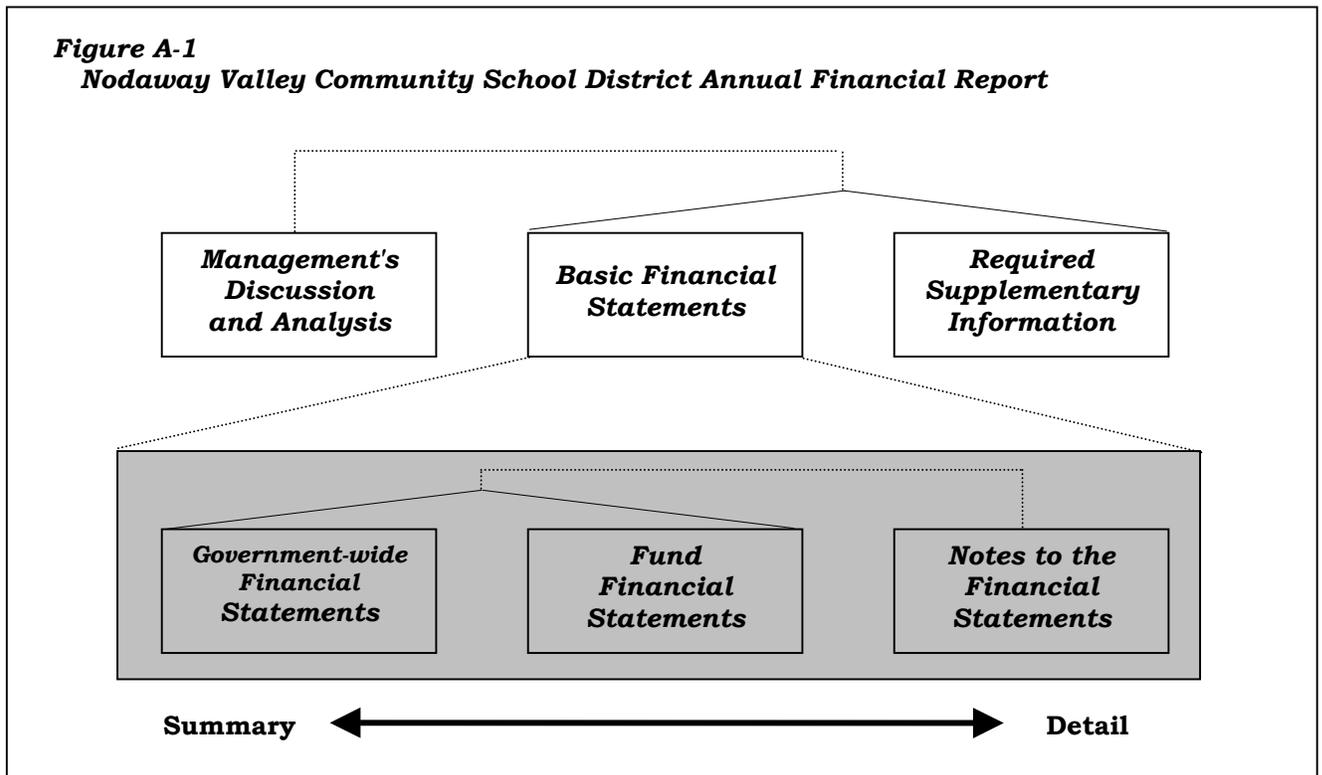


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

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

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## **Government-wide Statements**

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

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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:

- *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. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

- The District's governmental funds include the General Fund, Special Revenue Funds, Internal Service Fund, and Debt Service Fund.
- *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 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.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

### **Financial Analysis of the District as a Whole**

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004. *Since this is the first year of implementation, there is no comparison data.*

**Figure A-3  
Condensed Statement of Net Assets  
June 30, 2004**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
Current and other assets	\$3,779,240	\$54,418	\$3,833,658
Capital assets	<u>\$5,111,177</u>	<u>\$34,374</u>	<u>\$5,145,551</u>
Total assets	\$8,890,417	\$88,792	\$8,979,209
Long-term obligations	\$2,790,346	\$0	\$2,790,346
Other obligations	<u>\$2,447,559</u>	<u>\$4,745</u>	<u>\$2,452,304</u>
Total liabilities	\$5,237,905	\$4,745	\$5,242,650
Net assets			
Invested in capital assets, net of related debt	\$2,336,177	\$34,374	\$2,370,551
Restricted	\$523,080	\$0	\$523,080
Unrestricted	<u>\$793,255</u>	<u>\$49,673</u>	<u>\$842,928</u>
Total Net Assets	<u><u>\$3,652,512</u></u>	<u><u>\$84,047</u></u>	<u><u>\$3,736,559</u></u>

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

**Figure A-4  
Changes in Net Assets**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
Revenues:			
Program revenues:			
Charges for service and sales	\$279,316	\$190,175	\$469,491
Operating grants, contributions and restricted interest	\$762,126	\$143,853	\$905,979
Capital grants, contributions, and restricted interest	\$0	\$0	\$0
General revenues:			
Property tax	\$2,451,715	\$0	\$2,451,715
Unrestricted state grants	\$2,842,439	\$0	\$2,842,439
Unrestricted investment earnings	\$6,040	\$374	\$6,414
Other	<u>\$147,688</u>	<u>\$833</u>	<u>\$148,521</u>
Total revenues	\$6,489,324	\$335,235	\$6,824,559
Program expenses:			
Governmental activities:			
Instruction	\$3,848,886	\$0	\$3,848,886
Support services	\$1,611,666	\$0	\$1,611,666
Non-instructional programs	\$2,337	\$333,112	\$335,449
Other expenses	<u>\$563,680</u>	<u>\$0</u>	<u>\$563,680</u>
Total expenses	\$6,026,569	\$333,112	\$6,359,681
Change in net assets	\$462,755	\$2,123	\$464,878

Property tax and unrestricted state grants account for 78 percent of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86 percent of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$6,489,324 and expenses were \$6,026,569.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5  
Total and Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$3,848,886	\$3,234,376
Support Services	\$1,611,666	\$1,425,153
Non-instructional programs	\$2,337	\$2,337
Other expenses	<u>\$563,680</u>	<u>\$323,261</u>
Totals	\$6,026,569	\$4,985,127

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- The cost financed by users of the District's programs was \$279,316.
  - Federal and state governments subsidized certain programs with grants and contributions totaling \$762,126.
  - The net cost of governmental activities was financed with \$2,451,715 in property tax, \$2,842,439 in state foundation aid, \$140,142 in income surtax, \$6,040 in interest income, and \$7,546 in other general revenues.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$33,235 and expenses were \$333,112. 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.

## **Financial Analysis of the District's Funds**

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

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,192,320, considerably higher than last year's ending fund balances of \$825,442. The primary reason for the increase in combined fund balances in fiscal 2004 was due to the trimming of expenses and the Instructional Support Levy.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$353,531 to \$677,358 due in part to the great effort in trimming expenditures and receipt of the income surtax portion of the Instructional Support Levy.

### **Proprietary Fund Highlights**

- The School Nutrition Fund's cash position increased by \$17,954 from \$33,480 in 2003 to \$51,434 in 2004.
- The Internal Service Fund was new to the District in 2004. The Fund is used to account for a 125 Cafeteria Plan established for the employees of the District.

## **Budgetary Highlights**

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 its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 38-39.

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## Legal Budgetary Highlights

The District's total actual receipts were \$741,844 less than the total budgeted receipts, a variance of 10%. The most significant change resulted from the District receiving less in various components of local, state, and federal sources than originally anticipated.

Total expenditures were less than budgeted due 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 the actual expenditures during the year.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2004, the District had invested \$5,145,551, 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 exceeded \$230,000.

The original cost of the District's capital assets was \$8,470,215. Governmental funds account for \$8,311,585 with the remainder of \$158,630 in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities	Business-type Activities	Total School District
Land & Buildings	\$4,849,534	\$0	\$4,849,534
Construction in progress	\$0	\$0	\$0
Improvements, other than buildings	\$0	\$0	\$0
Furniture and equipment	<u>\$261,643</u>	<u>\$34,374</u>	<u>\$296,017</u>
Total	<u>\$5,111,177</u>	<u>\$34,374</u>	<u>\$5,145,551</u>

### Long-Term Debt

At June 30, 2004, the District had \$2,790,346 in general obligation and other long-term debt outstanding. On April 15, 2004, the District issued \$1,190,000 of general obligation refunding bonds to refund \$1,165,000 of the outstanding historical Greenfield District's 1997 refunding bonds. This refunding will reduce total debt service payments over the next five years by \$82,111. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Early retirement expenditures for the year ended June 30, 2004 was \$15,199. This expenditure is paid out of the Management Fund.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	2002-2003	2003-2004	Change
General Obligation Bonds	\$3,035,000	\$2,775,000	(\$260,000)
Early Retirement	<u>\$15,199</u>	<u>\$15,346</u>	<u>\$147</u>
Total	<u>\$3,050,199</u>	<u>\$2,790,346</u>	<u>(\$259,853)</u>

### **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:

- At an election on January 27, 2004, voters of Adair County authorized the 1% School Infrastructure Local Option sales tax (SILO) with 88 percent approval. The tax will begin July 1, 2004 and end June 30, 2014. This will create approximately \$278,000 in revenues for the Capital Project Fund in fiscal 2005.
- The financial position of the District is solid. However, the District is concerned that the change in student population has begun to decrease at an increasing rate. This has the potential to result in reduced state and federal revenues over time. The District must pay closely monitor this situation and continue to adjust expenditures accordingly.

### **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 Judy Wambold, District Secretary, Nodaway Valley Community School District, 410 NW Second Street, Greenfield, Iowa 50849.

## BASIC FINANCIAL STATEMENTS

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	1,110,402	51,434	1,161,836
Receivables:			
Property tax:			
Delinquent	38,287	-	38,287
Succeeding year	2,407,904	-	2,407,904
Accounts	-	257	257
Accrued interest:			
Other	131	-	131
Due from other governments	222,516	-	222,516
Inventories	-	2,727	2,727
Capital assets, net of accumulated depreciation	5,111,177	34,374	5,145,551
<b>Total assets</b>	<b>8,890,417</b>	<b>88,792</b>	<b>8,979,209</b>
<b>Liabilities</b>			
Warrants issued in excess of bank balance	8,289	-	8,289
Accounts payable	1,991	-	1,991
Salaries and benefits payable	18,544	-	18,544
Accrued interest payable	10,831	-	10,831
Deferred revenue:			
Succeeding year property tax	2,407,904	-	2,407,904
Other	-	4,745	4,745
Long-term liabilities			
Portion due within one year:			
General obligation bonds payable	320,000	-	320,000
Early retirement	15,346	-	15,346
Portion due after one year:			
General obligation bonds payable	2,455,000	-	2,455,000
<b>Total liabilities</b>	<b>5,237,905</b>	<b>4,745</b>	<b>5,242,650</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,336,177	34,374	2,370,551
Restricted for:			
Gifted and talented program	18,949	-	18,949
Management levy	347,826	-	347,826
Physical plant and equipment levy	92,087	-	92,087
Other special revenue purposes	28,876	-	28,876
Debt service	35,342	-	35,342
Unrestricted	793,255	49,673	842,928
<b>Total net assets</b>	<b>3,652,512</b>	<b>84,047</b>	<b>3,736,559</b>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	2,255,876	123,115	331,378	-
Special instruction	992,117	-	144,794	-
Other instruction	600,893	-	15,223	-
	<u>3,848,886</u>	<u>123,115</u>	<u>491,395</u>	<u>-</u>
Support services:				
Student services	73,845	149,771	30,312	-
Instructional staff services	111,671	-	-	-
Administration services	693,506	-	-	-
Operation and maintenance of plant services	446,727	1,577	-	-
Transportation services	285,917	4,853	-	-
	<u>1,611,666</u>	<u>156,201</u>	<u>30,312</u>	<u>-</u>
Non-instructional programs	<u>2,337</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Long-term debt interest	164,998	-	-	-
AEA flowthrough	240,419	-	240,419	-
Depreciation (unallocated)*	158,263	-	-	-
	<u>563,680</u>	<u>-</u>	<u>240,419</u>	<u>-</u>
Total governmental activities	<u>6,026,569</u>	<u>279,316</u>	<u>762,126</u>	<u>-</u>
Business type activities				
Non-instructional programs:				
Food service operations	<u>333,112</u>	<u>190,175</u>	<u>143,853</u>	<u>-</u>
Total	<u>6,359,681</u>	<u>469,491</u>	<u>905,979</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,801,383)	-	(1,801,383)
(847,323)	-	(847,323)
<u>(585,670)</u>	<u>-</u>	<u>(585,670)</u>
<u>(3,234,376)</u>	<u>-</u>	<u>(3,234,376)</u>
106,238	-	106,238
(111,671)	-	(111,671)
(693,506)	-	(693,506)
(445,150)	-	(445,150)
<u>(281,064)</u>	<u>-</u>	<u>(281,064)</u>
<u>(1,425,153)</u>	<u>-</u>	<u>(1,425,153)</u>
<u>(2,337)</u>	<u>-</u>	<u>(2,337)</u>
(164,998)	-	(164,998)
-	-	-
<u>(158,263)</u>	<u>-</u>	<u>(158,263)</u>
<u>(323,261)</u>	<u>-</u>	<u>(323,261)</u>
<u>(4,985,127)</u>	<u>-</u>	<u>(4,985,127)</u>
<u>-</u>	<u>916</u>	<u>916</u>
<u>(4,985,127)</u>	<u>916</u>	<u>(4,984,211)</u>
1,962,416	-	1,962,416
431,187	-	431,187
58,112	-	58,112
140,142	-	140,142
2,842,439	-	2,842,439
6,040	374	6,414
<u>7,546</u>	<u>833</u>	<u>8,379</u>
<u>5,447,882</u>	<u>1,207</u>	<u>5,449,089</u>
462,755	2,123	464,878
<u>3,189,757</u>	<u>81,924</u>	<u>3,271,681</u>
<u>3,652,512</u>	<u>84,047</u>	<u>3,736,559</u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	591,164	39,511	475,367	1,106,042
Receivables:				
Property tax:				
Delinquent	29,552	6,662	2,073	38,287
Succeeding year	1,921,761	418,686	67,457	2,407,904
Accounts	131	-	-	131
Due from other governments	222,516	-	-	222,516
	<u>2,765,124</u>	<u>464,859</u>	<u>544,897</u>	<u>3,774,880</u>
<b>Total assets</b>				
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Warrants issued in excess of bank balance	-	-	8,289	8,289
Accounts payable	1,794	-	197	1,991
Salaries and benefits payable	18,379	-	165	18,544
Deferred revenue:				
Succeeding year property tax	1,921,761	418,686	67,457	2,407,904
Other	145,832	-	-	145,832
Total liabilities	<u>2,087,766</u>	<u>418,686</u>	<u>76,108</u>	<u>2,582,560</u>
Fund balances:				
Reserved for:				
Gifted and talented program	18,949	-	-	18,949
Iowa early intervention block grant				-
Debt service	-	46,173	-	46,173
Unreserved	658,409	-	468,789	1,127,198
Total fund balances	<u>677,358</u>	<u>46,173</u>	<u>468,789</u>	<u>1,192,320</u>
	<u>2,765,124</u>	<u>464,859</u>	<u>544,897</u>	<u>3,774,880</u>
<b>Total liabilities and fund balances</b>				

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	1,192,320
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,111,177
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	145,832
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.	(10,831)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	4,360
Long-term liabilities, including bonds payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,790,346)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,652,512</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,034,938	429,764	133,060	2,597,762
Tuition	99,421	-	-	99,421
Other	51,899	802	173,565	226,266
State sources	3,345,451	1,423	450	3,347,324
Federal sources	220,322	-	-	220,322
Total revenues	<u>5,752,031</u>	<u>431,989</u>	<u>307,075</u>	<u>6,491,095</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,202,445	-	19,075	2,221,520
Special instruction	997,607	-	-	997,607
Other instruction	439,820	-	160,522	600,342
	<u>3,639,872</u>	<u>-</u>	<u>179,597</u>	<u>3,819,469</u>
Support services:				
Student services	73,414	-	431	73,845
Instructional staff services	111,240	-	431	111,671
Administration services	648,768	-	44,488	693,256
Operation and maintenance of plant services	440,646	-	10,052	450,698
Transportation services	275,419	-	16,667	292,086
	<u>1,549,487</u>	<u>-</u>	<u>72,069</u>	<u>1,621,556</u>
Non-instructional programs	-	-	2,337	2,337
Other expenditures:				
Facilities acquisition	-	-	15,807	15,807
Long-term debt:				
Principal	-	285,000	-	285,000
Interest and fiscal charges	-	145,128	-	145,128
AEA flowthrough	240,419	-	-	240,419
	<u>240,419</u>	<u>430,128</u>	<u>15,807</u>	<u>686,354</u>
Total expenditures	<u>5,429,778</u>	<u>430,128</u>	<u>269,810</u>	<u>6,129,716</u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures:	322,253	1,861	37,265	361,379
Other financing sources (uses):				
Compensation for loss of fixed assets	619	-	-	619
Refunding bonds issued	-	1,190,000	-	1,190,000
Bond discount	-	(14,280)	-	(14,280)
Payment to bond escrow agent	-	(1,171,795)	-	(1,171,795)
Sales of materials and equipment	955	-	-	955
Operating transfers in	-	-	1,592	1,592
Operating transfers out	-	-	(1,592)	(1,592)
Total other financing sources (uses)	1,574	3,925	-	5,499
Net change in fund balances	323,827	5,786	37,265	366,878
Fund balances beginning of year, as restated	353,531	40,387	431,524	825,442
Fund balances end of year	677,358	46,173	468,789	1,192,320

## NODAWAY VALLEY 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, 2004

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		366,878

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded Capital outlay expenditures in the year as follows:

Expenditures for capital assets	63,627	
Cost of asset sold	(900)	
Depreciation expense	<u>(216,854)</u>	(154,127)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.

(5,905)

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

1,450,000

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

1,205

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

Early retirement	\$ (15,346)	
Deferred federal grants	<u>5,690</u>	(9,656)

Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.

(1,190,000)

An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

4,360

**Changes in net assets of governmental activities (Exhibit B)**

462,755

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2004

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition Fund	
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	51,434	4,360
Accounts receivable	257	-
Inventories	2,727	-
Capital assets, net of accumulated depreciation	<u>34,374</u>	<u>-</u>
<b>Total assets</b>	88,792	4,360
<b>Liabilities</b>		
Deferred revenue	<u>4,745</u>	<u>-</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	34,374	-
Unrestricted	<u>49,673</u>	<u>4,360</u>
<b>Total net assets</b>	<u><u>84,047</u></u>	<u><u>4,360</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition Fund	
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	190,175	5,893
Operating expenses:		
Non-instructional programs:		
Salaries	115,357	-
Benefits	19,336	1,533
Purchased services	5,321	-
Supplies	179,806	-
Depreciation	13,292	-
	<u>333,112</u>	<u>1,533</u>
Operating gain (loss)	<u>(142,937)</u>	<u>4,360</u>
Non-operating revenue:		
State sources	4,927	-
Federal sources	138,926	-
Gain on sale of capital assets	833	-
Interest income	374	-
Total non-operating revenue	<u>145,060</u>	<u>-</u>
Change in net assets	2,123	4,360
Net assets beginning of year	<u>81,924</u>	<u>-</u>
Net assets end of year	<u><u>84,047</u></u>	<u><u>4,360</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2004

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Nonmajor School Nutrition Fund</u>	<u>Service Fund</u>
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	191,266	-
Cash received from other funds	-	5,893
Cash payments to employees for services	(134,908)	-
Cash payments to suppliers for goods or services	<u>(164,708)</u>	<u>(1,533)</u>
Net cash provided (used) by operating activities	<u>(108,350)</u>	<u>4,360</u>
Cash flows from non-capital financing activities:		
State grants received	4,927	-
Federal grants received	<u>120,170</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>125,097</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Sale of capital assets	<u>833</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>374</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	17,954	4,360
Cash and cash equivalents at beginning of year	<u>33,480</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>51,434</u></u>	<u><u>4,360</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(142,937)	4,360
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	18,756	-
Depreciation	13,292	-
Decrease (increase) in inventories	1,829	-
Decrease (increase) in accounts receivable	(108)	-
(Decrease) increase in salaries and benefits payable	(215)	-
(Decrease) increase in deferred revenue	<u>1,033</u>	<u>-</u>
Net cash provided (used) in operating activities	<u><u>(108,350)</u></u>	<u><u>4,360</u></u>

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

During the year ended June 30, 2004, the District received \$18,756 of federal commodities.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	438
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>438</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship <u>          </u> \$
Additions:	
Local sources:	
Gifts and contributions	200
Interest	<u>3</u>
Total additions	203
Deductions:	
Support services:	
Scholarships awarded	<u>200</u>
Change in net assets	3
Net assets beginning of year	<u>435</u>
Net assets end of year	<u><u>438</u></u>

# NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2004

### 1. Summary of Significant Accounting Policies

Nodaway Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Greenfield, Bridgewater and Fontanelle, Iowa and the predominately agricultural territory in a portion of Adair 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, Nodaway Valley 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 Nodaway Valley Community School District has no component units that 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's employee flexible benefit plan.

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	10-20 years
Furniture and equipment	5-15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,482 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

### 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
		\$
Capital Projects Fund	Special Revenue: Physical Plant and Equipment Levy Fund	1,592

This transfer was to delete a deficit balance in the capital projects fund.

### 4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets being depreciated:				
Buildings	7,399,897	-	-	7,399,897
Furniture and equipment	873,894	63,627	25,833	911,688
Total capital assets being deprec.	<u>8,273,791</u>	<u>63,627</u>	<u>25,833</u>	<u>8,311,585</u>
Less accumulated depreciation for:				
Buildings	2,392,100	158,263	-	2,550,363
Furniture and equipment	616,387	58,591	24,933	650,045
Total accumulated depreciation	<u>3,008,487</u>	<u>216,854</u>	<u>24,933</u>	<u>3,200,408</u>
Total capital assets being depreciated, net	<u>5,265,304</u>	<u>(153,227)</u>	<u>900</u>	<u>5,111,177</u>
Governmental activities capital assets, net	<u>5,265,304</u>	<u>(153,227)</u>	<u>900</u>	<u>5,111,177</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	158,630	-	-	158,630
Less accumulated depreciation	110,964	13,292	-	124,256
Business type activities capital assets, net	<u>47,666</u>	<u>(13,292)</u>	<u>-</u>	<u>34,374</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	7,103
Special	200
Other	551
Support Services:	
Administration services	250
Operation and maintenance of plant services	2,060
Transportation	48,427
Unallocated depreciation	458,263
Total depreciation expense – governmental activities	216,854
Business type activities:	
Food services	13,292

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	3,035,000	1,190,000	1,450,000	2,775,000	320,000
Early retirement	15,199	15,346	15,199	15,346	15,346
Total	3,050,199	1,205,346	1,465,199	2,790,346	335,346

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age **fifty-five** and must have completed **fifteen** years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement expenditures for the year ended June 30, 2004 totaled \$15,199.

### General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Greenfield April, 2004 Refunding			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	1.250	230,000	26,009	256,009
2006	1.600	240,000	20,187	260,187
2007	2.000	250,000	16,348	266,348
2008	2.300	255,000	11,348	266,348
2009	2.550	215,000	5,482	220,482
		1,190,000	79,374	1,269,374

Bridgewater-Fontananelle 1998 Bond Issue			
Year Ended June 30,	Principal	Interest	Total
	\$	\$	\$
2005	90,000	72,075	162,075
2006	95,000	68,475	163,475
2007	100,000	64,580	164,580
2008	100,000	60,380	160,380
2009	105,000	56,130	161,130
2010-2014	590,000	206,570	796,570
2015-2018	505,000	62,375	567,375
	<u>1,585,000</u>	<u>590,585</u>	<u>2,175,585</u>
<b>Total</b>	<u><b>2,775,000</b></u>	<u><b>669,959</b></u>	<u><b>3,444,959</b></u>

#### Current year refunding

On [April 15, 2004](#), the District issued \$1,190,000 of general obligation refunding bonds with interest rates ranging between 1.25% to 2.55%. The District issued the bonds to refund \$1,165,000 of the outstanding Greenfield 1997 refunding bonds. The District used the net proceeds to call and pay the balance of the issue.

The refunding reduced total debt service payments over the next five years by \$82,111. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$75,895.

#### Prior Year Debt Defeasance

In prior years, the District has defeased various bond issues by creating separate Irrevocable Trust Funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the District's General Long-Term Debt Account Group. As of June 30, [2004](#), the amount of defeased debt outstanding but removed [from long-term liabilities](#) amounted to \$1,175,000.

## **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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, [2004](#), [2003](#) and [2002](#). Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, [2004](#), [2003](#), and [2002](#) were \$202,018, \$200,409, and \$208,692 respectively, equal to the required contributions for each year.

## 7. Risk Management

[Nodaway Valley](#) Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, [2004](#), were \$311,781.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, [2004](#), no liability has been recorded in the District's financial statements. As of June 30, [2004](#), settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

[Nodaway Valley](#) 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.

## 8. 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 \$240,419 for the year ended June 30, [2004](#) and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 9. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended [June 30, 2004](#). The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and

Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			Total
	General	Debt Service	Nonmajor	
	\$		\$	\$
Net assets, June 30, 2003, as previously reported	353,531	40,387	416,325	810,243
GASB Interpretation 6 adjustments	-	-	15,199	15,199
Net assets, July 1, 2003, as restated for Governmental funds	<u>353,531</u>	<u>40,387</u>	<u>431,524</u>	825,442
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of \$3,008,487				5,265,304
Long-term liabilities:				
Bonds				(3,035,000)
Accrued interest payable				(12,036)
Deferred revenue				<u>146,047</u>
Net assets, July 1, 2003, as restated				<u><u>3,189,757</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	2,955,146	191,640	3,146,786	3,599,691	3,599,691	(452,905)
State sources	3,351,027	4,927	3,355,954	3,595,083	3,595,083	(239,129)
Federal sources	196,264	138,926	335,190	385,000	385,000	(49,810)
Total receipts	<u>6,502,437</u>	<u>335,493</u>	<u>6,837,930</u>	<u>7,579,774</u>	<u>7,579,774</u>	<u>(741,844)</u>
Disbursements:						
Instruction	3,823,941	-	3,823,941	4,938,142	4,938,142	1,114,201
Support services	1,620,916	-	1,620,916	1,957,000	1,957,000	336,084
Non-instructional programs	2,337	318,372	320,709	423,397	423,397	102,688
Other expenditures	712,681	-	712,681	820,001	2,010,000	1,297,319
Total disbursements	<u>6,159,875</u>	<u>318,372</u>	<u>6,478,247</u>	<u>8,138,540</u>	<u>9,328,539</u>	<u>2,850,292</u>
Excess (deficiency) of receipts over (under) disbursements	342,562	17,121	359,683	(558,766)	(1,748,765)	2,108,448
Other financing sources (uses) net	<u>5,499</u>	<u>833</u>	<u>6,332</u>	<u>-</u>	<u>-</u>	<u>6,332</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	348,061	17,954	366,015	(558,766)	(1,748,765)	2,114,780
Balance beginning of year	<u>749,692</u>	<u>33,480</u>	<u>783,172</u>	<u>559,004</u>	<u>559,004</u>	<u>224,168</u>
Balance end of year	<u><u>1,097,753</u></u>	<u><u>51,434</u></u>	<u><u>1,149,187</u></u>	<u><u>238</u></u>	<u><u>(1,189,761)</u></u>	<u><u>2,338,948</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	6,502,437	(11,342)	6,491,095
Expenditures	6,159,875	(30,159)	6,129,716
Net	342,562	18,817	361,379
Other financing sources (uses) net	5,499	-	5,499
Beginning fund balances	749,692	75,750	825,442
Ending fund balances	1,097,753	94,567	1,192,320

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	335,493	(92)	335,401
Expenditures	318,372	14,906	333,278
Net	17,121	(14,998)	2,123
Other financing sources (uses) net	833	(833)	-
Beginning fund balances	33,480	48,444	81,924
Ending fund balances	51,434	32,613	84,047

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by 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 disbursements by \$1,189,999

OTHER SUPPLEMENTARY INFORMATION

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Cash and pooled investments	346,653	29,141	99,573	475,367
Receivables:				
Property tax:				
Delinquent	1,173	-	900	2,073
Succeeding year	10,000	-	57,457	67,457
<b>Total assets</b>	<b>357,826</b>	<b>29,141</b>	<b>157,930</b>	<b>544,897</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Excess of warrants issued over bank balance	-	-	8,289	8,289
Accounts payable	-	100	97	197
Salaries and benefits payable	-	165	-	165
Deferred revenue:				
Succeeding year property tax	10,000	-	57,457	67,457
Total liabilities	10,000	265	65,843	76,108
Fund balances:				
Unreserved fund balance	347,826	28,876	92,087	468,789
<b>Total liabilities and fund balances</b>	<b>357,826</b>	<b>29,141</b>	<b>157,930</b>	<b>544,897</b>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds				
	Management	Student	Physical	Capital	Total
	Levy	Activity	Plant and	Projects	
	\$	Fund	Equipment	Levy	\$
Revenues:					
Local sources:					
Local tax	74,948	-	58,112	-	133,060
Other	4,025	169,048	492	-	173,565
State sources	255	-	195	-	450
Total revenues	<u>79,228</u>	<u>169,048</u>	<u>58,799</u>	<u>-</u>	<u>307,075</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	19,075	-	-	-	19,075
Other instruction	-	160,522	-	-	160,522
Support services:					
Student services	431	-	-	-	431
Instructional staff services	431	-	-	-	431
Administration services	44,488	-	-	-	44,488
Operation and maintenance of plant services	4,020	-	6,032	-	10,052
Transportation services	16,667	-	-	-	16,667
Non-instructional programs	2,337	-	-	-	2,337
Other expenditures:					
Facilities acquisition	-	-	15,307	500	15,807
Total expenditures	<u>87,449</u>	<u>160,522</u>	<u>21,339</u>	<u>500</u>	<u>269,810</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,221)</u>	<u>8,526</u>	<u>37,460</u>	<u>(500)</u>	<u>37,265</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	1,592	1,592
Operating transfers out	-	-	(1,592)	-	(1,592)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,592)</u>	<u>1,592</u>	<u>-</u>
Net change in fund balances	(8,221)	8,526	35,868	1,092	37,265
Fund balances beginning of year, as restated	<u>356,047</u>	<u>20,350</u>	<u>56,219</u>	<u>(1,092)</u>	<u>431,524</u>
Fund balances end of year	<u><u>347,826</u></u>	<u><u>28,876</u></u>	<u><u>92,087</u></u>	<u><u>-</u></u>	<u><u>468,789</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,  
Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama	(656)	2,636	1,111	869
Vocal music	2,466	26,862	24,077	5,251
Band	759	3,422	3,245	936
Scoreboard fund	327	-	-	327
Basketball	7,243	14,973	14,855	7,361
Coed soccer	(998)	4,659	5,871	(2,210)
Baseball-softball	(3,208)	10,517	12,142	(4,833)
Track	(2,218)	9,128	10,552	(3,642)
Track repair -fund	350	-	-	350
Golf	316	1,292	1,149	459
Football	116	14,265	12,832	1,549
Wrestling	1,661	3,939	4,830	770
Volleyball	68	9,762	6,029	3,801
Dance team	-	4,571	2,373	2,198
Cheerleading	(625)	3,330	1,995	710
FFA	2,307	21,080	18,575	4,812
National Honor Society	(564)	253	289	(600)
Student council	1,642	933	1,253	1,322
FBLA	190	-	-	190
Activity ticket	153	5,733	5,733	153
Juice and pop machine	576	549	1,126	(1)
History books	-	2,803	4,010	(1,207)
Yearbook middle school	249	1,170	681	738
Yearbook	1,472	7,385	6,594	2,263
Swing choir trip	38	-	-	38
Entrepreneur fund	162	858	1,098	(78)
JH miscellaneous	4,816	(3,626)	76	1,114
Belize trip	61	12,662	12,723	-
Spanish trip	2	-	-	2
Class of 2001	1,895	-	40	1,855
Class of 2002	851	-	-	851
Class of 2003	150	-	80	70
Class of 2004	613	80	672	21
Class of 2005	287	9,498	6,505	3,280
Class of 2006	(151)	212	(234)	295
Class of 2007	-	102	240	(138)
Totals	20,350	169,048	160,522	28,876

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,597,762	2,421,791	2,358,138	2,214,873
Tuition	99,421	91,697	87,332	61,737
Other	226,266	288,080	326,552	420,106
State sources	3,347,324	3,370,494	3,483,191	3,418,521
Federal sources	220,322	251,796	187,059	170,002
Total revenues	<u>6,491,095</u>	<u>6,423,858</u>	<u>6,442,272</u>	<u>6,285,239</u>
Expenditures:				
Instruction:				
Regular instruction	2,221,520	2,311,480	2,461,742	2,418,002
Special instruction	997,607	982,305	883,477	915,826
Other instruction	600,342	585,465	615,419	533,100
Support services:				
Student services	73,845	77,296	105,240	137,587
Instructional staff services	111,671	111,868	116,549	124,709
Administration services	693,256	691,530	742,741	600,302
Operation and maintenance of plant services	450,698	434,771	412,553	510,617
Transportation services	292,086	327,352	283,154	343,433
Central support services	-	867	6,817	1,106
Non-instructional programs	2,337	3,279	3,561	2,934
Other expenditures:				
Facilities acquisition	15,807	11,293	30,301	6,773
Long-term debt:				
Principal	285,000	270,000	260,000	245,000
Interest and other charges	145,128	158,948	172,144	184,318
AEA flowthrough	240,419	257,305	258,726	261,367
Total expenditures	<u>6,129,716</u>	<u>6,223,759</u>	<u>6,352,424</u>	<u>6,285,074</u>

## Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the  
Nodaway Valley Community School District:

We have audited the financial statements of the Nodaway Valley Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 28, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Nodaway Valley 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 grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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, 2004 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. Prior year statutory comments have all been resolved except for item 04-II-K.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Nodaway Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item [04-I-A](#) is a material weakness. Prior year reportable conditions have all been resolved except for items [04-I-A](#).

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

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

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

September 28, [2004](#)

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- 04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- 04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.
- 04-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 04-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 04-II-E Business Transactions: We noted no transactions between the District and District officials or employees.
- 04-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 04-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 04-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-II-J Certified Annual Report (CAR): The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- 04-II-K Financial Condition: The Special Revenue, Student Activity Fund has a few accounts with deficit balances at June 30, 2004.

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

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.