

NISHNA 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  
Nishna 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 Nishna Valley Community School District, Hastings, 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 Nishna 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 8 to the financial statements, during the year ended June 30, 2004, Nishna 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 August 19, 2004, on our consideration of Nishna 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 13](#) and [34 through 37](#) 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 [Nishna 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 an unqualified opinion for 2003. Our opinions for 2002 and 2001 were qualified because the general fixed assets account group was omitted. The supplemental information included in Schedules [1](#) through [5](#), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

[August 19, 2004](#)

# **NISHNA VALLEY COMMUNITY SCHOOL DISTRICT**

## **Management Discussion and Analysis for the Fiscal Year Ended June 30, 2004**

The discussion and analysis of Nishna Valley Community School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Since this is the first year that requires all activities to be reported on a full accrual basis, a comprehensive comparison to the prior year is not possible. Efforts have been made to provide comparison to prior year data when such data is available.

### **Financial Highlights**

- The General Fund ending cash balance in fiscal year 2003 was \$766,400, including \$555,946 in certificates of deposit and \$32,032 in the District's ISJIT account.
- The General Fund ending cash balance in fiscal year 2004 was \$424,788, including \$322,921 in certificates of deposit and \$5,033 in the District's ISJIT account.
- The decrease in General Fund cash was caused by a 2.5% across-the-board cut in State Foundation Aid from the State of Iowa and a significant increase in expenditures. Major expenditures included purchase of a new school bus and payment by the District of all teacher salaries for July and August by June 30, 2004.
- In an effort to balance the declining reserve trends in the General Fund, the District reduced the Superintendent from full-time to half time at a savings of approximately \$44,000. The District also entered into a sharing agreement with a local district for the services of its Elementary Principal at a savings of approximately 35,000. Lastly, the District entered into a sharing agreement with another local district for the services of their Spanish instructor via the ICN at a savings of approximately \$25,000. These changes saved the District approximately \$104,000.

### **Overview of the Financial Statements**

This annual 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 view 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 governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long term financial information about the activities the District operates like businesses, such as food service.
- Fiduciary funds statements 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 related to one another.

**Figure A-1**

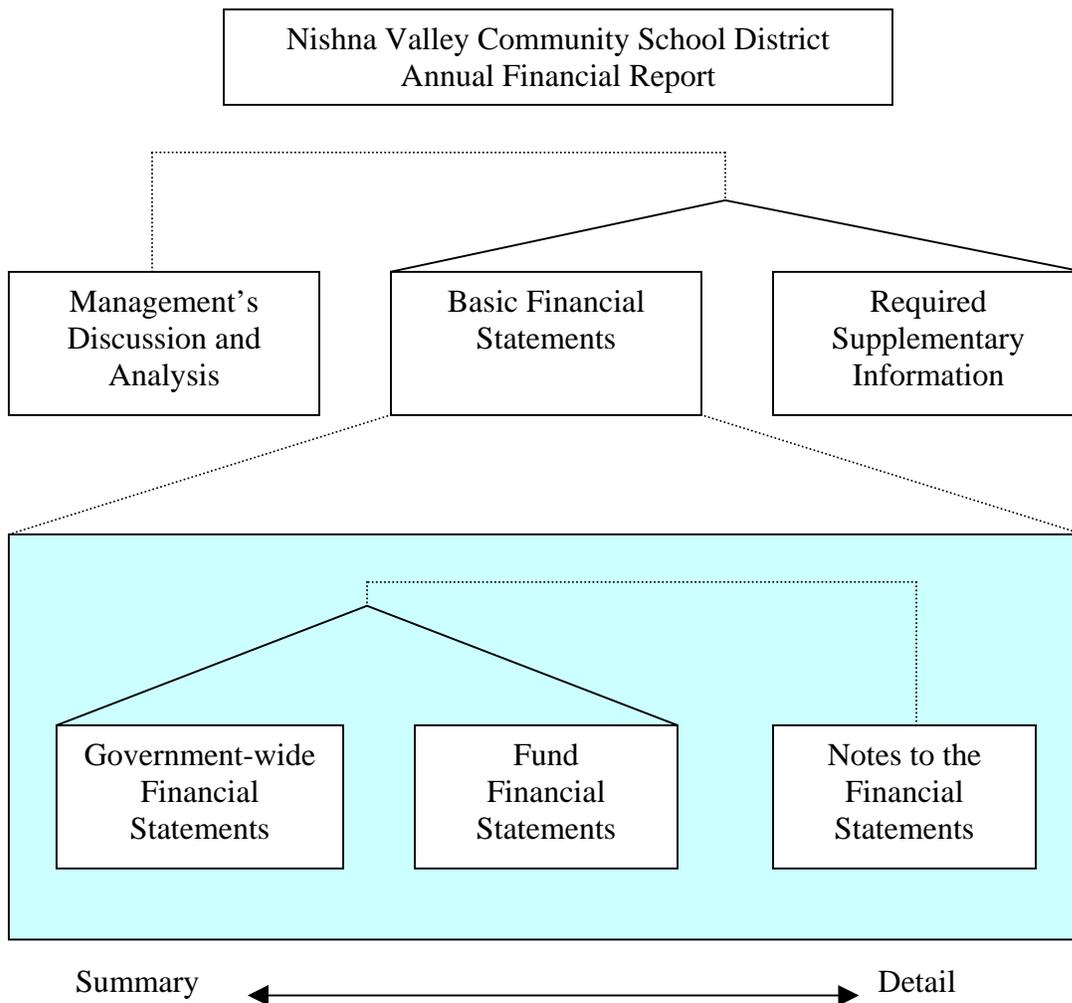


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

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

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Propriety Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> <li>• Statement of revenues, expenses and changes in net assets</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 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 and payable	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

### Government-wide Financial 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 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 - is one way to measure the District's financial health or position.

- 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 building 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 taxes and state aid finance most of these areas.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service programs are 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 repaying its long-term debts) 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 funds statements provide a detailed short-term view that helps the reader 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 funds statements explains the relationship (or differences) between them.
- *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 District-

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. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. Nishna Valley Community School District does not have any internal service funds.

- *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 to specific District schools 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 District-wide financial statements because it cannot use these assets to finance its operations.

### Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total School District</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Current and other assets	\$ 2,400,988	\$1,922,225	\$26,443	\$23,817	\$2,427,431	\$1,946,042
Capital assets	369,704	381,299	6,872	9,202	376,576	390,501
<b>Total Assets</b>	<b><u>2,770,692</u></b>	<b><u>2,303,524</u></b>	<b><u>33,315</u></b>	<b><u>33,019</u></b>	<b><u>2,804,007</u></b>	<b><u>2,336,543</u></b>
Long-term liabilities	1,647,039	1,203,255	1,501	1,350	1,648,540	1,204,605
Other liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b><u>1,647,039</u></b>	<b><u>1,203,255</u></b>	<b><u>1,501</u></b>	<b><u>1,350</u></b>	<b><u>1,648,540</u></b>	<b><u>1,204,605</u></b>
Net Assets:						
Invested in capital assets, net of related debt	369,704	381,299	6,872	9,202	376,576	390,501
Restricted	135,976	148,620	-	-	135,976	148,620
Unrestricted	617,973	570,350	24,942	22,467	642,915	592,817
<b>TOTAL NET ASSETS</b>	<b><u>\$1,123,653</u></b>	<b><u>\$1,100,269</u></b>	<b><u>\$31,814</u></b>	<b><u>\$31,669</u></b>	<b><u>\$1,155,467</u></b>	<b><u>\$1,131,938</u></b>

Total net assets is the difference between the District's assets and liabilities. The District's total net assets decreased by 2% from 2003 to 2004. Net assets are divided into three categories, invested in capital assets net of related debt, restricted and unrestricted.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by 9.3% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements. Unrestricted net assets decreased by 7.8%.

The District’s current assets and current liabilities are substantially lower at the end of 2004 than at the end of 2003. There are two reasons for this. At June 30, 2004 the District paid the salaries and benefits owed to its teachers, in prior years the amount owed was reported as a liability and paid after the year-end. Also, due to lower property valuations and a lower property tax rate, the District’s asset recorded for succeeding year property taxes and the related liability for deferred revenue are approximately \$190,000 lower at June 30, 2004 than June 30, 2003.

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

Fiscal year 2004 marks the initial District implementation of the GASB 34 financial reporting model. As a result, prior year comparisons are not available, but will be provided in all subsequent years.

**Figure A-4**

**Changes in Net Assets from Operating Results**

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>School District</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$287,331	\$63,867	\$351,198
Operating grants & contributions	347,275	59,115	406,390
Capital grants & contributions	-	-	-
General revenues:			
Property taxes & other taxes	1,468,660	-	1,468,660
Unrestricted state grants	476,842	-	476,842

Interest	6,969	141	7,110
Miscellaneous	<u>854</u>	<u>-</u>	<u>854</u>
<b>Total revenues</b>	<b>\$2,587,931</b>	<b>\$123,123</b>	<b>\$2,711,054</b>
<b>Expenses</b>			
Instruction	1,733,704	-	1,733,704
Support services:			
Student and instructional staff	61,244	-	61,244
Board of education, admin. & business	344,028	-	344,028
Operation and maintenance	217,053	-	217,053
Transportation	100,916	-	100,916
Central	-	-	-
Non-instructional programs	-	126,616	126,616
Other expenses	<u>151,022</u>	<u>-</u>	<u>151,022</u>
<b>Total expenses</b>	<b>\$2,607,967</b>	<b>\$126,616</b>	<b>\$2,734,583</b>
Transfers	<u>(3,348)</u>	<u>3,348</u>	<u>-</u>
<b>Change in net assets</b>	<b><u><u>\$(23,384)</u></u></b>	<b><u><u>\$(145)</u></u></b>	<b><u><u>\$(23,529)</u></u></b>

Property and other local taxes account for 54% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$2,587,931 and the expenses were \$2,607,967. The District used the balance carried forward from the prior year to cover expenses in excess of current year revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers. In the future a two year comparison will be provided.

<b>Figure A-5</b>		
<b>Net Cost of Governmental Activities</b>		
	<u>Total Cost Of Services</u>	<u>Net Cost of Services</u>
	<u>2004</u>	<u>2004</u>
Instruction	\$1,733,704	\$1,183,888
Support Services	723,241	718,951
Non-instructional Programs	-	-
Other Expenses	<u>151,022</u>	<u>70,522</u>
<b>TOTAL</b>	<b><u><u>\$2,607,967</u></u></b>	<b><u><u>\$1,973,361</u></u></b>

The costs financed by the users of the District's programs were \$287,331. The largest items included in charges for services are tuition charged to other schools and revenues from student activities.

Federal and state government governments subsidized certain programs with grants and contributions totaling \$347,275. These grants must be used for a specific purpose.

The net cost of governmental activities was financed with \$1,468,660 of property and other local taxes and \$476,842 of unrestricted state aid.

### **Business Type Activities**

The District's business type activities include the School Nutrition Fund. Revenues include charges for services and federal and state reimbursements based on the number of student meals served. The General Fund purchased \$3,348 of equipment for use in the School Nutrition program during the year.

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$641,971, slightly less of last year's ending fund balances of \$677,920.

## **Governmental Fund Highlights**

The General Fund balance decreased from \$547,074 to \$509,996, due in part to events such as the Governor's 2.5% rollback and the elimination of Phase III funding. This reduction occurred mid-year. The Board chose to use carryover fund balance to maintain obligations and student programming.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$46,224 to \$23,373. While revenues remained approximately the same, the District spent monies on lighting and building repair projects.

The Capital Projects Fund is being used to account for proceeds from the local option sales tax. The District is accumulating these monies to use for future capital asset projects.

The Management Fund and Student Activity Fund balance remained steady.

## **Proprietary Fund Highlights**

School Nutrition revenues and expenses showed no large variations from the prior year. Total net assets decreased by \$145.

## **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. The District did not amend its budget during the year.

During fiscal year 2004, total revenues were slightly below expectations held when the fiscal year 2004 budget was assembled in February, 2003. Ultimately, budgeted amounts exceeded actual revenue by \$55,778. This was due to a variety of factors that could not have been anticipated when a budget estimate was assembled. For example, in November, 2003, the Governor announced a 2.5% across the board cut.

When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping disbursements in line with revenues as actual revenue accumulates. As a result, the District's certified budget should always exceed the actual expenditures during the year. During fiscal year 2004 the District paid salaries and benefits that in prior years would have been paid after year-end. Since the District budgets on the cash basis, this caused cash disbursements to substantially exceed cash receipts. However, total cash disbursements did not exceed the total budget. Actual disbursements exceed the budgeted amounts in two areas due to misclassifications on the budget form.

## Capital Asset and Debt Administration

By the end of 2004, the District had invested \$390,501, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net increase of \$13,925 or 3.7% from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) The District was able to stay within its means and not accumulate any debt in fiscal year 2004. Capital assets were purchased as revenue became available and included a telephone system and a new bus.

<b>Figure A-6</b>						
<b>Capital Assets, Net of Depreciation</b>						
	<b>Governmental</b>		<b>Business Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>	
	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>
Land	17,500	17,500	-	-	17,500	17,500
Construction in progress	221,785	197,297	-	-	221,785	197,297
Buildings	10,591	8,768	-	-	10,591	8,768
Equipment & Furniture	119,828	157,734	6,782	9,202	126,610	166,936
<b>TOTAL</b>	<b>369,704</b>	<b>381,299</b>	<b>6,782</b>	<b>9,202</b>	<b>376,486</b>	<b>390,501</b>

### Long-Term Debt

At June 30, 2004, the District had no long-term debt.

### 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.

- Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund budget.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has had and will continue to impact the District.

### Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Lisa Sowers, District Secretary/Treasurer, Nishna Valley Community School District, 58962 380<sup>th</sup> Street, Hastings, Iowa, 51540.

## BASIC FINANCIAL STATEMENTS

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	511,444	19,822	531,266
Receivables:			
Property tax:			
Delinquent	21,465	-	21,465
Succeeding year	1,197,919	-	1,197,919
Accrued interest	419	-	419
Due from other governments	153,721	-	153,721
Prepaid expenses	37,257	-	37,257
Inventories	-	3,995	3,995
Capital assets, net of accumulated depreciation	381,299	9,202	390,501
<b>Total assets</b>	<u>2,303,524</u>	<u>33,019</u>	<u>2,336,543</u>
<b>Liabilities</b>			
Accounts payable	5,336	-	5,336
Deferred revenue:			
Succeeding year property tax	1,197,919	-	1,197,919
Other	-	1,350	1,350
<b>Total Liabilities</b>	<u>1,203,255</u>	<u>1,350</u>	<u>1,204,605</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	381,299	9,202	390,501
Restricted for:			
Gifted and talented program	11,334	-	11,334
Iowa early intervention block grant	5,312	-	5,312
Management levy	44,055	-	44,055
Physical plant and equipment levy	23,373	-	23,373
Other special revenue purposes	36,469	-	36,469
Local option sales tax capital projects	28,077	-	28,077
Unrestricted	570,350	22,467	592,817
<b>Total net assets</b>	<u><u>1,100,269</u></u>	<u><u>31,669</u></u>	<u><u>1,131,938</u></u>

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	1,080,580	173,756	195,774	-
Special instruction	398,733	17,211	56,221	-
Other instruction	254,391	96,364	10,490	-
	<u>1,733,704</u>	<u>287,331</u>	<u>262,485</u>	<u>-</u>
Support services:				
Student services	17,465	-	-	-
Instructional staff services	43,779	-	4,290	-
Administration services	344,028	-	-	-
Operation and maintenance of plant services	217,053	-	-	-
Transportation services	100,916	-	-	-
	<u>723,241</u>	<u>-</u>	<u>4,290</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	44,211	-	-	-
AEA flowthrough	80,500	-	80,500	-
Depreciation (unallocated)*	26,311	-	-	-
	<u>151,022</u>	<u>-</u>	<u>80,500</u>	<u>-</u>
Total governmental activities	2,607,967	287,331	347,275	-
<b>Business type activities</b>				
Non-instructional programs:				
Food service operations	126,616	63,867	59,115	-
Total	<u>2,734,583</u>	<u>351,198</u>	<u>406,390</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(711,050)	-	(711,050)
(325,301)	-	(325,301)
(147,537)	-	(147,537)
<u>(1,183,888)</u>	<u>-</u>	<u>(1,183,888)</u>
(17,465)	-	(17,465)
(39,489)	-	(39,489)
(344,028)	-	(344,028)
(217,053)	-	(217,053)
(100,916)	-	(100,916)
<u>(718,951)</u>	<u>-</u>	<u>(718,951)</u>
(44,211)	-	(44,211)
-	-	-
(26,311)	-	(26,311)
<u>(70,522)</u>	<u>-</u>	<u>(70,522)</u>
(1,973,361)	-	(1,973,361)
-	(3,634)	(3,634)
<u>(1,973,361)</u>	<u>(3,634)</u>	<u>(1,976,995)</u>
1,347,917	-	1,347,917
32,413	-	32,413
66,188	-	66,188
22,142	-	22,142
476,842	-	476,842
6,969	141	7,110
854	-	854
1,953,325	141	1,953,466
(3,348)	3,348	-
<u>1,949,977</u>	<u>3,489</u>	<u>1,953,466</u>
(23,384)	(145)	(23,529)
<u>1,123,653</u>	<u>31,814</u>	<u>1,155,467</u>
<u>1,100,269</u>	<u>31,669</u>	<u>1,131,938</u>

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	424,788	86,656	511,444
Receivables:			
Property tax:			
Delinquent	20,340	1,125	21,465
Succeeding year	1,121,805	76,114	1,197,919
Accrued interest	419	-	419
Prepaid expenses	-	37,257	37,257
Due from other governments	146,335	7,386	153,721
<b>Total assets</b>	<b>1,713,687</b>	<b>208,538</b>	<b>1,922,225</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	4,886	450	5,336
Deferred revenue:			
Succeeding year property tax	1,121,805	76,114	1,197,919
Other	77,000	-	77,000
Total liabilities	1,203,691	76,564	1,280,255
Fund balances:			
Reserved for:			
Prepaid expenses	-	37,257	37,257
Gifted and talented program	11,334	-	11,334
Iowa early intervention block grant	5,312	-	5,312
Unreserved	493,350	94,717	588,067
Total fund balances	509,996	131,974	641,970
<b>Total liabilities and fund balances</b>	<b>1,713,687</b>	<b>208,538</b>	<b>1,922,225</b>

## NISHNA 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>	641,970
<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.	381,299
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	<u>77,000</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>1,100,269</u></u>

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,373,352	94,493	1,467,845
Tuition	150,922	-	150,922
Other	46,069	97,309	143,378
State sources	717,555	-	717,555
Federal sources	106,562	-	106,562
Total revenues	<u>2,394,460</u>	<u>191,802</u>	<u>2,586,262</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,078,537	-	1,078,537
Special instruction	398,733	-	398,733
Other instruction	159,835	94,376	254,211
	<u>1,637,105</u>	<u>94,376</u>	<u>1,731,481</u>
Support services:			
Student services	17,465	-	17,465
Instructional staff services	42,566	-	42,566
Administration services	302,833	40,916	343,749
Operation and maintenance of plant services	214,761	-	214,761
Transportation services	133,658	-	133,658
	<u>711,283</u>	<u>40,916</u>	<u>752,199</u>
Non-instructional programs	<u>3,348</u>	<u>-</u>	<u>3,348</u>
Other expenditures:			
Facilities acquisition	-	55,382	55,382
AEA flowthrough	80,500	-	80,500
	<u>80,500</u>	<u>55,382</u>	<u>135,882</u>
Total expenditures	<u>2,432,236</u>	<u>190,674</u>	<u>2,622,910</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,776)</u>	<u>1,128</u>	<u>(36,648)</u>
Other financing sources (uses):			
Sales of materials and equipment	<u>698</u>	<u>-</u>	<u>698</u>
Net change in fund balances	(37,078)	1,128	(35,950)
Fund balances beginning of year, as restated	<u>547,074</u>	<u>130,846</u>	<u>677,920</u>
Fund balances end of year	<u><u>509,996</u></u>	<u><u>131,974</u></u>	<u><u>641,970</u></u>

See notes to financial statements.

NISHNA 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>		(35,950)

*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. Capital outlay expenditures exceeded depreciation expense in the year as follows:

Expenditures for capital assets	61,470	
Depreciation expense	<u>(49,875)</u>	11,595

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.

<u>971</u>
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<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(23,384)</u></u>
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## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2004

	<u>School Nutrition</u>
	\$
<b>Assets</b>	
Cash and cash equivalents	19,822
Inventories	3,995
Capital assets, net of accumulated depreciation	<u>9,202</u>
<b>Total assets</b>	33,019
<b>Liabilities</b>	
Deferred revenue	<u>1,350</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	9,202
Unrestricted	<u>22,467</u>
<b>Total net assets</b>	<u><u>31,669</u></u>

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund

Year ended June 30, 2004

	<u>School Nutrition</u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>63,867</u>
Operating expenses:	
Non-instructional programs:	
Salaries	40,850
Benefits	5,403
Purchased services	4,164
Supplies	74,945
Depreciation	1,018
Other	<u>236</u>
	<u>126,616</u>
Operating gain (loss)	<u>(62,749)</u>
Non-operating revenue:	
State sources	1,820
Federal sources	57,295
Interest income	<u>141</u>
Total non-operating revenue	<u>59,256</u>
Gain (loss) before capital contributions	(3,493)
Capital contributions	<u>3,348</u>
Change in net assets	(145)
Net assets beginning of year	<u>31,814</u>
Net assets end of year	<u><u>31,669</u></u>

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2004

	School Nutrition \$
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	63,719
Cash payments to employees for services	(46,253)
Cash payments to suppliers for goods or services	(70,887)
Net cash used by operating activities	<u>(53,421)</u>
Cash flows from non-capital financing activities:	
State grants received	1,820
Federal grants received	49,819
Net cash provided by non-capital financing activities	<u>51,639</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>141</u>
Net increase (decrease) in cash and cash equivalents	(1,641)
Cash and cash equivalents at beginning of year	<u>21,463</u>
Cash and cash equivalents at end of year	<u><u>19,822</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(62,749)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	7,476
Depreciation	1,018
Decrease (increase) in inventories	982
Decrease (increase) in accounts receivable	3
(Decrease) increase in deferred revenue	<u>(151)</u>
Net cash used in operating activities	<u><u>(53,421)</u></u>

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

During the year ended June 30, 2004, the District received \$7,476 of federal commodities.

During the year ended June 30, 2004 the School Nutrition Fund received \$3,348 of equipment that was purchased by the General Fund.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2004

	<u>Agency</u>
	\$
<b>Assets</b>	
Cash and pooled investments	965
<b>Liabilities</b>	
Other payables	<u>965</u>
<b>Net Assets</b>	<u><u>-</u></u>

# NISHNA Valley COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2004

### 1. Summary of Significant Accounting Policies

Nishna 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 Hastings and Emerson, Iowa and the predominately agricultural territory in a portion of Mills and Montgomery 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, Nishna 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 Nishna 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 instruction, support and other costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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	-
Buildings	2,000
Improvements other than buildings	2,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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	25-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 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 in the support services and other expenditures functions exceeded 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 \$5,033 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
		\$
Enterprise:		
School Nutrition Fund	General Fund	3,348

This transfer reflects equipment purchased by the General Fund that is used for the school nutrition program.

#### 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 not being depreciated:				
Land	17,500	-	-	17,500
Capital assets being depreciated:				
Buildings	1,205,667	-	-	1,205,667
Improvements other than buildings	254,102	-	-	254,102
Furniture and equipment	497,786	61,470	52,154	507,102
Total capital assets being deprec.	1,957,555	61,470	52,154	1,966,871
Less accumulated depreciation for:				
Buildings	983,882	24,488	-	1,008,370
Improvements other than buildings	243,511	1,823	-	245,334
Furniture and equipment	377,958	23,564	52,154	349,368
Total accumulated depreciation	1,605,351	49,875	52,154	1,603,072
Total capital assets being depreciated, net	352,204	11,595	-	363,799
Governmental activities capital assets, net	369,704	11,595	-	381,299
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	89,910	3,348	-	93,258
Less accumulated depreciation	83,038	1,018	-	84,056
Business type activities capital assets, net	6,872	2,330	-	9,202

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	2,043
Other	180
Support Services:	
Instructional staff services	1,213
Administration services	279
Operation and maintenance of plant services	2,292
Transportation	17,557
	<u>23,564</u>
Unallocated depreciation	<u>26,311</u>
Total depreciation expense – governmental activities	<u>49,875</u>
Business type activities:	
Food services	<u>1,018</u>

## 5. 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 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 \$93,131, \$84,518, and \$85,752 respectively, equal to the required contributions for each year.

## 6. Risk Management

Nishna 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 \$199,764.

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.

Nishna 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.

## **7. 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 \$80,500 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.

## **8. 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:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$
Net assets, June 30, 2003, as previously reported	547,074	130,846	677,920
GASB Interpretation 6 adjustments	-	-	-
Net assets, July 1, 2003, as restated for Governmental funds	<u>547,074</u>	<u>130,846</u>	677,920
GASB 34 adjustments:			
Capital assets net of accumulated depreciation of 1,605,351			369,704
Deferred revenue			<u>76,029</u>
Net assets, July 1, 2003, as restated			<u>1,123,653</u>

REQUIRED SUPPLEMENTARY INFORMATION

NISHNA 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	1,727,502	63,860	1,791,362	1,829,194	1,829,194	(37,832)
State sources	716,555	1,820	718,375	770,184	770,184	(51,809)
Federal sources	81,568	57,295	138,863	105,000	105,000	33,863
Total receipts	<u>2,525,625</u>	<u>122,975</u>	<u>2,648,600</u>	<u>2,704,378</u>	<u>2,704,378</u>	<u>(55,778)</u>
Disbursements:						
Instruction	1,958,409	-	1,958,409	2,684,698	2,684,698	726,289
Support services	776,434	-	776,434	377,000	377,000	(399,434)
Non-instructional programs	3,348	124,616	127,964	294,273	294,273	166,309
Other expenditures	136,285	-	136,285	86,284	86,284	(50,001)
Total disbursements	<u>2,874,476</u>	<u>124,616</u>	<u>2,999,092</u>	<u>3,442,255</u>	<u>3,442,255</u>	<u>443,163</u>
Excess (deficiency) of receipts over (under) disbursements	(348,851)	(1,641)	(350,492)	(737,877)	(737,877)	387,385
Other financing sources (uses) net	<u>698</u>	<u>-</u>	<u>698</u>	<u>-</u>	<u>-</u>	<u>698</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(348,153)	(1,641)	(349,794)	(737,877)	(737,877)	388,083
Balance beginning of year	<u>859,597</u>	<u>21,463</u>	<u>881,060</u>	<u>905,772</u>	<u>905,772</u>	<u>(24,712)</u>
Balance end of year	<u><u>511,444</u></u>	<u><u>19,822</u></u>	<u><u>531,266</u></u>	<u><u>167,895</u></u>	<u><u>167,895</u></u>	<u><u>363,371</u></u>

NISHNA 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	2,525,625	60,637	2,586,262
Expenditures	2,874,476	(251,566)	2,622,910
Net	(348,851)	312,203	(36,648)
Other financing sources (uses) net	698	-	698
Beginning fund balances	859,597	(181,677)	677,920
Ending fund balances	511,444	130,526	641,970

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	122,975	148	123,123
Expenditures	124,616	2,000	126,616
Net	(1,641)	(1,852)	(3,493)
Other financing sources (uses) net	-	3,348	3,348
Beginning fund balances	21,463	10,351	31,814
Ending fund balances	19,822	11,847	31,669

NISHNA 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 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. [The District did not amend its budget during the year.](#)

During the year ended June 30, [2004](#), disbursements in the [support services and other expenditures](#) functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Capital Projects Funds	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	
Cash and pooled investments	6,627	36,469	22,869	20,691	86,656
Receivables:					
Property tax:					
Delinquent	621	-	504	-	1,125
Succeeding year	47,402	-	28,712	-	76,114
Prepaid Insurance	37,257	-	-	-	37,257
Due from other governments	-	-	-	7,386	7,386
<b>Total assets</b>	<b>91,907</b>	<b>36,469</b>	<b>52,085</b>	<b>28,077</b>	<b>208,538</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	450	-	-	-	450
Deferred revenue:					
Succeeding year property tax	47,402	-	28,712	-	76,114
Total liabilities	47,852	-	28,712	-	76,564
Fund balances:					
Reserved for prepaid expenses	37,257	-	-	-	37,257
Unreserved fund balance	6,798	36,469	23,373	28,077	94,717
Total fund balances	44,055	36,469	23,373	28,077	131,974
<b>Total liabilities and fund balances</b>	<b>91,907</b>	<b>36,469</b>	<b>52,085</b>	<b>28,077</b>	<b>208,538</b>

## NISHNA 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			Capital Projects Funds	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	39,938	-	32,413	22,142	94,493
Other	574	96,513	118	104	97,309
Total revenues	<u>40,512</u>	<u>96,513</u>	<u>32,531</u>	<u>22,246</u>	<u>191,802</u>
Expenditures:					
Current:					
Instruction:					
Other instruction	-	94,376	-	-	94,376
Support services:					
Administration services	40,916	-	-	-	40,916
Other expenditures:					
Facilities acquisition	-	-	55,382	-	55,382
Total expenditures	<u>40,916</u>	<u>94,376</u>	<u>55,382</u>	<u>-</u>	<u>190,674</u>
Excess (deficiency) of revenues over (under) expenditures	(404)	2,137	(22,851)	22,246	1,128
Fund balances beginning of year, as restated	<u>44,459</u>	<u>34,332</u>	<u>46,224</u>	<u>5,831</u>	<u>130,846</u>
Fund balances end of year	<u>44,055</u>	<u>36,469</u>	<u>23,373</u>	<u>28,077</u>	<u>131,974</u>

## NISHNA 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
	\$	\$	\$	\$
Interest	275	149	-	424
Drama - HS	(357)	475	117	1
Drama - JH	88	-	-	88
Instrumental music	(30)	2,067	1,958	79
Band trip	32	-	-	32
Vocal music	(262)	262	-	-
Musical	176	1,520	130	1,566
Fiesta bowl	34	-	-	34
Spanish club	(739)	739	-	-
Golf	78	-	-	78
Annual	2,762	2,732	4,692	802
Art	553	-	-	553
National honor society	256	777	715	318
Cheerleading	729	1,378	1,756	351
Home economics	16	-	-	16
HOSA	112	9,998	10,110	-
Secondary fundraiser	1,304	835	1,728	411
Library club	421	2,704	2,692	433
Class of 2001	898	-	600	298
Class of 2002	228	-	-	228
Class of 2003	345	50	73	322
Class of 2004	2,433	5,015	7,232	216
Class of 2005	494	9,808	6,597	3,705
Class of 2006	401	1,100	546	955
Class of 2007	30	352	-	382
Class of 2008	10	57	-	67
Girls basketball camp	339	-	-	339
Volleyball camp	319	-	-	319
Concessions	3,136	6,948	6,006	4,078
Miscellaneous	98	-	98	-
Athletics	6,252	18,172	20,268	4,156
Industrial arts	862	-	-	862
Student council	4,521	4,552	5,219	3,854
Science club	89	-	48	41
Elementary fundraiser	1,456	2,545	2,463	1,538
Boys basketball	3,407	2,145	1,714	3,838
Football lights	240	-	-	240
Boys football	2,219	3,558	3,417	2,360
Weightlifting	508	-	-	508
Boys baseball	(816)	905	89	-
Boys track	(1,819)	3,920	2,101	-

## NISHNA 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
	\$	\$	\$	\$
Wrestling	14	-	-	14
Girls basketball	3,945	4,298	5,579	2,664
Girls volleyball	107	2,562	2,370	299
Girls softball	(718)	2,407	1,689	-
Girls track	(107)	4,476	4,369	-
Beginning Accruals	(7)	7	-	-
	<u>34,332</u>	<u>96,513</u>	<u>94,376</u>	<u>36,469</u>
Total	<u>34,332</u>	<u>96,513</u>	<u>94,376</u>	<u>36,469</u>

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2004

	Faculty Fund
	<u>\$</u>
Balance beginning of year	556
Additions:	
Collections	677
Deductions:	
Miscellaneous	<u>268</u>
Balance end of year	<u><u>965</u></u>

## NISHNA 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	1,467,845	1,281,236	1,282,839	1,063,196
Tuition	150,922	201,148	134,324	144,853
Other	143,378	149,884	115,973	144,705
State sources	717,555	880,470	930,435	1,178,900
Federal sources	106,562	99,084	94,664	57,005
Total revenues	<u>2,586,262</u>	<u>2,611,822</u>	<u>2,558,235</u>	<u>2,588,659</u>
Expenditures:				
Instruction:				
Regular instruction	1,078,537	1,124,879	1,099,046	1,030,858
Special instruction	398,733	357,664	357,008	277,241
Other instruction	254,211	252,057	242,644	274,186
Support services:				
Student services	17,465	13,768	24,878	48,506
Instructional staff services	42,566	32,567	16,940	51,969
Administration services	343,749	370,418	403,051	371,568
Operation and maintenances of plant services	214,761	183,148	203,384	227,734
Transportation services	133,658	88,619	112,728	110,170
Non-instructional programs	3,348	-	5,597	-
Other expenditures:				
Facilities acquisition	55,382	45,427	49,866	3,041
AEA flowthrough	80,500	88,733	90,619	97,388
Total expenditures	<u>2,622,910</u>	<u>2,557,280</u>	<u>2,605,761</u>	<u>2,492,661</u>

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

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

We have audited the financial statements of the Nishna Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 19, 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 Nishna 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 items 04-II-B and 04-II-K.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Nishna 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 items 04-I-A and 04-I-B are material weaknesses. Prior year reportable conditions have all been resolved except for items 04-I-A and 04-I-B. .

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Nishna 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 Nishna 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

August 19, 2004

NISHNA 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 increase monitoring procedures 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.

**04-I-B**      Bank Reconciliations: One of the main internal controls over the cash balances reported in the accounting records is the preparation of a monthly reconciliation of the bank statements to the cash balances in the financial records. The cash balances in the computer financial accounting records were not reconciled to the bank monthly.

Recommendation: Bank reconciliations should be prepared monthly. Any variances between the bank reconciliation and the cash balances in the financial statements should be investigated and resolved.

District Response: Monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

**04-I-C**      Supporting Documentation: We noted two General Fund payments and six Student Activity Fund payments that were not supported by detailed invoices or receipts.

Recommendation: The District should have receipts, invoices, contracts, entry forms or other detailed supporting documentation before writing a check.

District Response: We will review our policies and make any necessary adjustments.

Conclusion: Response accepted.

NISHNA 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 were not exceeded during the year ended [June 30, 2004](#).

**04-II-B** Certified Budget: Disbursements for the year ended [June 30, 2004](#), exceeded the amount budgeted in the support services and [other expenditures](#) functional areas.

Recommendation: The budget for these areas should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

District Response: We will amend future budgets before disbursements exceed the budget.

Conclusion: Response accepted.

**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 business 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 one General Fund and one Student Activity Fund disbursement that were not on the list of bills approved by the Board.

Recommendation: All bills should be approved by the board of directors. Bills paid prior to a board meeting in accordance with District policy should be approved at the next board meeting.

District Response: The omission of these two bills was an oversight. Our policy is to have all bills approved by the board.

Conclusion: Response accepted.

**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.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

04-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR and noted no significant deficiencies in the amounts reported.

04-II-K Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activities. There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

04-II-L Withholding on Payments to Employees: We noted one employee who received payment for painting services. Payroll taxes were not withheld from the payment and the payment was not included in the employee's W-2 form. We also noted that payments to students working in the lunch room were not being treated as wages with the appropriate withholding for taxes.

Recommendation: All payments to employees for services are subject to payroll taxes and W-2 reporting and students working for the school should be treated as employees.

District Response: We will change our reporting on these payments to comply with payroll reporting requirements.

Conclusion: Response accepted.