

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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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, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2005, 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, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 37 through 39 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 required 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, 2004, (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, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,752,031 in fiscal 2004 to \$5,862,945 in fiscal 2005, while General Fund expenditures increased from \$5,429,778 in fiscal 2004 to \$5,757,983 in fiscal 2005. The District's General Fund balance increased from \$353,531 in fiscal 2004 to \$677,358 in fiscal 2005.
- The increase in General Fund revenues was attributable to an increase in property tax and state grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

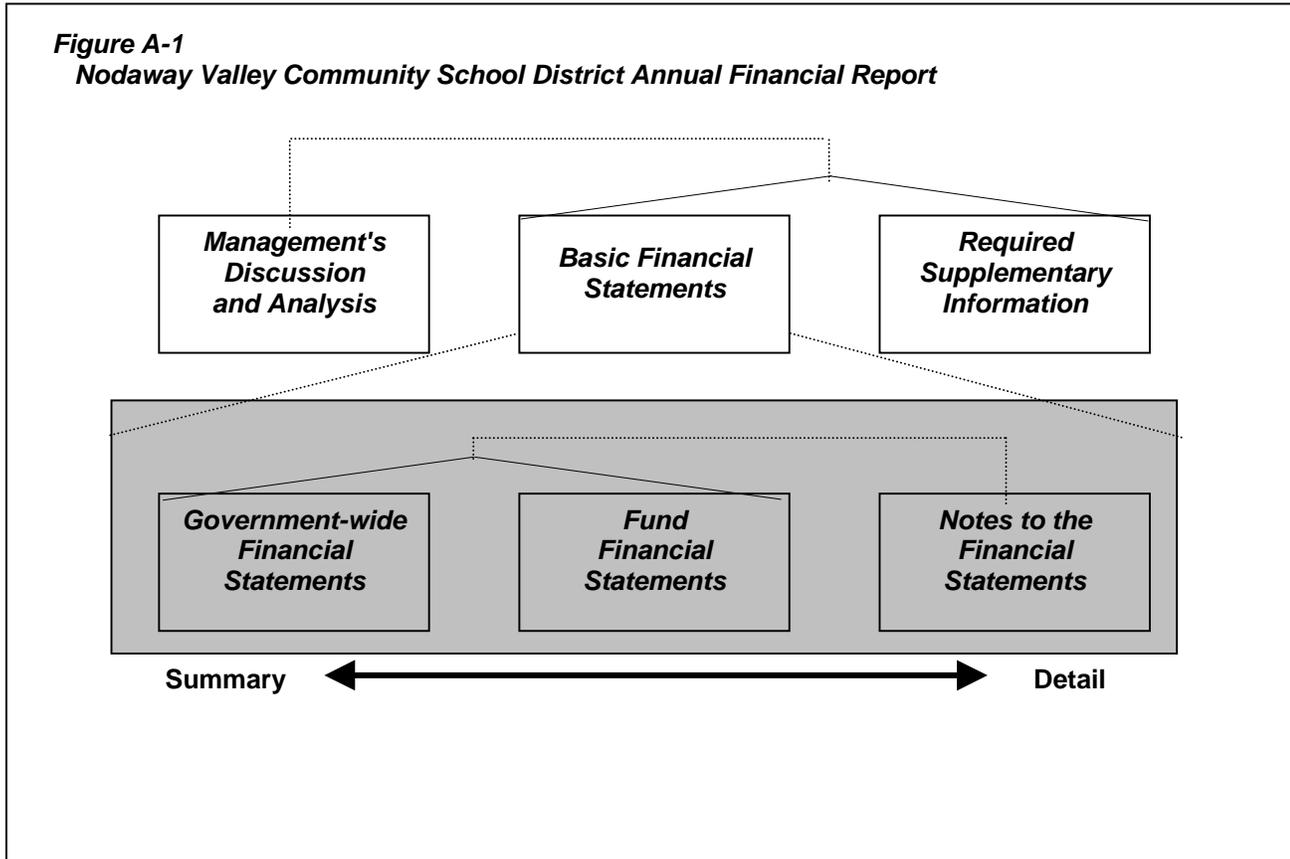


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's employee flexible benefit plan.

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,611,655	3,779,240	41,774	54,418	5,653,429	3,833,658	47%
Capital assets	5,008,328	5,111,177	44,405	34,374	5,052,733	5,145,551	-2%
Total assets	10,619,983	8,890,417	86,179	88,792	10,706,162	8,979,209	19%
Long-term liabilities	3,923,694	2,790,346	-	-	3,923,694	2,790,346	41%
Other liabilities	2,691,243	2,447,559	5,856	4,745	2,697,099	2,452,304	10%
Total liabilities	6,614,937	5,237,905	5,856	4,745	6,620,793	5,242,650	26%
Net Assets:							
Invested in capital assets, net of related debt	1,218,328	2,336,177	44,405	34,374	1,262,733	2,370,551	-47%
Restricted	1,637,743	523,080	-	-	1,637,743	523,080	213%
Unrestricted	1,148,975	793,255	35,918	49,673	1,184,893	842,928	41%
TOTAL NET ASSETS	4,005,046	3,652,512	80,323	84,047	4,085,369	3,736,559	9%

The District's combined net assets increased by nearly 9%, or approximately \$348,810, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$1,114,663 over the prior year. The increase was primarily a result of crossover refunding of the Bridgewater-Fontanelle bond issue.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$341,965. This increase in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	354,026	279,316	186,282	190,175	540,308	469,491	15%
Operating grants & contributions	704,995	762,126	136,055	143,853	841,050	905,979	-7%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							0%
Property taxes	2,413,420	2,451,715	-	-	2,413,420	2,451,715	-2%
Income Surtax	160,863	140,142	-	-	160,863	140,142	15%
Local option sales tax	354,802	-	-	-	354,802	-	0%
Unrestricted state grants	2,880,618	2,842,439	-	-	2,880,618	2,842,439	1%
Unrestricted investment earnings	26,348	6,040	507	374	26,855	6,414	319%
Other revenue	(18,432)	7,546	-	833	(18,432)	8,379	-320%
Total Revenues	6,876,640	6,489,324	322,844	335,235	7,199,484	6,824,559	5%
Expenses:							
Instruction	3,951,213	3,848,886	-	-	3,951,213	3,848,886	3%
Support services	1,921,140	1,611,666	-	-	1,921,140	1,611,666	19%
Non-instructional programs	2,310	2,337	326,568	333,112	328,878	335,449	-2%
Other expenditures	649,443	563,680	-	-	649,443	563,680	15%
Total expenses	6,524,106	6,026,569	326,568	333,112	6,850,674	6,359,681	8%
Change in net assets before transfers	352,534	462,755	(3,724)	2,123	348,810	464,878	-25%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	352,534	462,755	(3,724)	2,123	348,810	464,878	-25%
Net assets beginning of year	3,652,512	3,189,757	84,047	81,924	3,736,559	3,271,681	14%
Net assets end of year	4,005,046	3,652,512	80,323	84,047	4,085,369	3,736,559	9%

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

Governmental Activities

Revenues for governmental activities were \$6,876,640 and expenses were \$6,524,106.

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

	Total Cost of Services 2005 \$	Total Cost of Services 2004 \$	Net Cost of Services 2005 \$	Net Cost of Services 2004 \$
Instruction	3,951,213	3,848,886	3,141,781	3,234,376
Support Services	1,921,140	1,611,666	1,909,176	1,425,153
Non-instructional Programs	2,310	2,337	2,310	2,337
Other Expenses	649,443	563,680	411,818	323,261
TOTAL	6,524,106	6,026,569	5,465,085	4,985,127

- The cost financed by users of the District’s programs was \$540,308.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$841,050.
- The net cost of governmental activities was financed with \$2,929,085 in property and other taxes and \$2,880,618 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$322,844 and expenses were \$326,568. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, 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 a combined fund balance of \$2,788,724, well above last year’s ending fund balances of \$1,192,320. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to approximately \$1.3 held in escrow to fund the crossover bond refunding issued in 2005.

Governmental Fund Highlights

- The District’s General Fund financial position is the result of many factors. Although expenditures were \$328,205 greater in 2005 than in 2004, revenues were \$104,962 more than expenditures.
- The General Fund balance increased from \$677,358 to \$782,837.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$92,087 in fiscal 2004 to \$112,185 in fiscal 2005. While revenues remained approximately the same, the District reduced spending from the PEEL Fund.

- The Debt Service Fund balance increased due to the sale of \$1.3 million in general obligation bonds during fiscal 2005. The District ended fiscal 2005 with a balance of \$1,358,308 consisting primarily of unexpended bond proceeds.
- The Capital Projects Fund is used to account for revenue and expenditures for Local Option Sales and Services Tax the District began receiving in 2005. The tax may be used for infrastructure, major equipment purchases, and debt reduction. The first project to be financed by this tax is the reconstruction of the high school track, stadium bleachers, and the plaza area behind the stadium bleaches which began in the summer of 2005.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$84,047 at June 30, 2004 to \$80,323 at June 30, 2005, representing an decrease of approximately 5%.

The Internal Service Fund is used to account for a 125 Cafeteria Plan established in 2004 for the employees of the District.

BUDGETARY HIGHLIGHTS

Over the course of the year, Nodaway Valley Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the crossover refunding of the former Bridgewater-Fontanelle Community School District bonds.

The District’s receipts were \$434,306 more than budgeted receipts. The most significant variance resulted from the District receiving more in local revenue aid 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 actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$5,052,733, 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 the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$237,222.

The original cost of the District’s capital assets was \$8,540,091. Governmental funds account for \$8,372,610, with the remainder of \$167,481 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
	-	-	-	-	-	-	0%
Construction in progress	-	-	-	-	-	-	0%

Land & Buildings	4,725,925	4,849,534	-	-	4,725,925	4,849,534	-3%
Improvements	-	-	-	-	-	-	0%
Equipment & Furniture	282,403	261,643	44,405	34,374	326,808	296,017	10%
TOTAL	5,008,328	5,111,177	44,405	34,374	5,052,733	5,145,551	-2%

Long-Term Debt

At June 30, 2005, the District had \$3,923,694 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 41% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	Total School District		Percentage
	2005	2004	2004-2005
	\$	\$	
General Obligation Bonds	3,790,000	2,775,000	37%
Early Retirement	133,694	15,346	771%
	<u>3,923,694</u>	<u>2,790,346</u>	<u>41%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by 45 students. This drop in enrollment will decrease the District's funding for fiscal year 2007.
- The District will be able to do major infrastructure repairs and replacement due to the local option sales tax.
- Instructional Support Levy has played a vital role in keeping the District solvent. This levy will end in fiscal year 2007 unless renewed. The Board may renew the levy for five years or the voters may approve the levy for up to ten years.
- Due to safety and precautions, the District will continue a normal replacement of the District's transportation vehicles. To pay for these vehicles, the District will use a combination of resources from the General Fund, Capital Projects Fund and the Physical Plant and Equipment Levy.

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, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,588,173	38,241	1,626,414
Cash with a fiscal agent	1,304,484	-	1,304,484
Receivables:			
Property tax:			
Delinquent	51,801	-	51,801
Succeeding year	2,412,324	-	2,412,324
Accounts	6,885	22	6,907
Due from other governments	247,988	-	247,988
Inventories	-	3,511	3,511
Capital assets, net of accumulated depreciation	5,008,328	44,405	5,052,733
Total assets	10,619,983	86,179	10,706,162
Liabilities			
Warrants issued in excess of bank balance	13,165	-	13,165
Accounts payable	123,950	-	123,950
Salaries and benefits payable	86,327	1,782	88,109
Due to other governments	34,418	-	34,418
Accrued interest payable	21,059	-	21,059
Deferred revenue:			
Succeeding year property tax	2,412,324	-	2,412,324
Other	-	4,074	4,074
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	335,000	-	335,000
Early retirement	133,694	-	133,694
Portion due after one year:			
General obligation bonds payable	3,455,000	-	3,455,000
Total liabilities	6,614,937	5,856	6,620,793
Net assets			
Invested in capital assets, net of related debt	2,553,328	44,405	2,597,733
Restricted for:			
Gifted and talented program	20,310	-	20,310
Management levy	139,236	-	139,236
Physical plant and equipment levy	112,185	-	112,185
Other special revenue purposes	28,763	-	28,763
Local option sales tax capital projects	233,701	-	233,701
Debt service	2,249	-	2,249
Unrestricted	915,274	35,918	951,192
Total net assets	4,005,046	80,323	3,851,668

See notes to financial statements.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	2,360,234	136,901	310,881	-
Special instruction	991,145	14,022	141,263	-
Other instruction	599,834	191,479	14,886	-
	<u>3,951,213</u>	<u>342,402</u>	<u>467,030</u>	<u>-</u>
Support services:				
Student services	77,039	-	-	-
Instructional staff services	141,386	-	-	-
Administration services	892,862	-	-	-
Operation and maintenance of plant services	506,369	4,575	-	-
Transportation services	303,484	7,049	340	-
	<u>1,921,140</u>	<u>11,624</u>	<u>340</u>	<u>-</u>
Non-instructional programs	<u>2,310</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	112,001	-	-	-
Long-term debt interest	119,542	-	-	-
AEA flowthrough	237,625	-	237,625	-
Depreciation (unallocated)*	180,275	-	-	-
	<u>649,443</u>	<u>-</u>	<u>237,625</u>	<u>-</u>
Total governmental activities	<u>6,524,106</u>	<u>354,026</u>	<u>704,995</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	326,568	186,282	136,055	-
Total	<u>6,850,674</u>	<u>540,308</u>	<u>841,050</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,912,452)	-	(1,912,452)
(835,860)	-	(835,860)
<u>(393,469)</u>	-	<u>(393,469)</u>
<u>(3,141,781)</u>	-	<u>(3,141,781)</u>
(77,039)	-	(77,039)
(141,386)	-	(141,386)
(892,862)	-	(892,862)
(501,794)	-	(501,794)
<u>(296,095)</u>	-	<u>(296,095)</u>
<u>(1,909,176)</u>	-	<u>(1,909,176)</u>
(2,310)	-	(2,310)
(112,001)	-	(112,001)
(119,542)	-	(119,542)
-	-	-
<u>(180,275)</u>	-	<u>(180,275)</u>
<u>(411,818)</u>	-	<u>(411,818)</u>
(5,465,085)	-	(5,465,085)
-	(4,231)	(4,231)
<u>(5,465,085)</u>	<u>(4,231)</u>	<u>(5,469,316)</u>
1,936,405	-	1,936,405
419,445	-	419,445
57,570	-	57,570
160,863	-	160,863
354,802	-	354,802
2,880,618	-	2,880,618
26,348	507	26,855
<u>(18,432)</u>	-	<u>(18,432)</u>
<u>5,817,619</u>	<u>507</u>	<u>5,818,126</u>
352,534	(3,724)	348,810
<u>3,652,512</u>	<u>84,047</u>	<u>3,736,559</u>
<u>4,005,046</u>	<u>80,323</u>	<u>4,085,369</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	939,668	45,102	600,529	1,585,299
Cash with a fiscal agent	-	1,304,484	-	1,304,484
Receivables:				
Property tax:				
Delinquent	41,563	8,802	1,436	51,801
Succeeding year	1,905,144	424,463	82,717	2,412,324
Accounts	200	-	6,685	6,885
Due from other governments	190,008	-	57,980	247,988
Total assets	3,076,583	1,782,851	749,347	5,608,781
Liabilities and Fund Balances				
Liabilities:				
Warrants issued in excess of bank balance	-	-	13,165	13,165
Accounts payable	118,117	80	5,753	123,950
Salaries and benefits payable	86,194	-	133	86,327
Due to other governments	34,418	-	-	34,418
Deferred revenue:				
Succeeding year property tax	1,905,144	424,463	82,717	2,412,324
Other	149,873	-	-	149,873
Total liabilities	<u>2,293,746</u>	<u>424,543</u>	<u>101,768</u>	<u>2,820,057</u>
Fund balances:				
Reserved for:				
Gifted and talented program	20,310	-	-	20,310
Debt service	-	1,358,308	-	1,358,308
Unreserved reported in:				
General fund	762,527	-	-	762,527
Special revenue funds	-	-	413,878	413,878
Capital projects funds	-	-	233,701	233,701
Total fund balances	<u>782,837</u>	<u>1,358,308</u>	<u>647,579</u>	<u>2,788,724</u>
Total liabilities and fund balances	3,076,583	1,782,851	749,347	5,608,781

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	\$	\$
Total fund balances of governmental funds (Exhibit C)		2,788,724
<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.		5,008,328
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		149,873
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		(21,059)
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.		2,874
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.		
Early retirement	(133,694)	
Bonds payable	<u>(3,790,000)</u>	<u>(3,923,694)</u>
Net assets of governmental activities (Exhibit A)		<u><u>4,005,046</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,084,594	419,445	422,392	2,926,431
Tuition	127,338	-	-	127,338
Other	65,813	4,005	190,016	259,834
State sources	3,382,899	355	58	3,383,312
Federal sources	202,301	-	-	202,301
Total revenues	<u>5,862,945</u>	<u>423,805</u>	<u>612,466</u>	<u>6,899,216</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,334,587	-	19,244	2,353,831
Special instruction	997,283	-	-	997,283
Other instruction	445,482	-	165,272	610,754
	<u>3,777,352</u>	<u>-</u>	<u>184,516</u>	<u>3,961,868</u>
Support services:				
Student services	76,193	-	846	77,039
Instructional staff services	140,953	-	433	141,386
Administration services	724,978	-	47,800	772,778
Operation and maintenance of plant services	500,869	-	4,042	504,911
Transportation services	300,013	-	18,481	318,494
	<u>1,743,006</u>	<u>-</u>	<u>71,602</u>	<u>1,814,608</u>
Non-instructional programs	-	-	2,310	2,310
Other expenditures:				
Facilities acquisition	-	-	175,248	175,248
Long-term debt:				
Principal	-	320,000	-	320,000
Interest and fiscal charges	-	109,314	-	109,314
AEA flowthrough	237,625	-	-	237,625
	<u>237,625</u>	<u>429,314</u>	<u>175,248</u>	<u>842,187</u>
Total expenditures	<u>5,757,983</u>	<u>429,314</u>	<u>433,676</u>	<u>6,620,973</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	104,962	(5,509)	178,790	278,243
Other financing sources (uses):				
Compensation for loss of fixed assets	417	-	-	417
Refunding bonds issued	-	1,317,644	-	1,317,644
Sales of materials and equipment	100	-	-	100
Operating transfers in	-	-	2,546	2,546
Operating transfers out	-	-	(2,546)	(2,546)
Total other financing sources (uses)	517	1,317,644	-	1,318,161
Net change in fund balances	105,479	1,312,135	178,790	1,596,404
Fund balances beginning of year	677,358	46,173	468,789	1,192,320
Fund balances end of year	782,837	1,358,308	647,579	2,788,724

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, 2005

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		1,596,404
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	133,600	
Cost of asset sold	(8,391)	
Depreciation expense	<u>(228,058)</u>	(102,849)
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.		4,041
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.		320,000
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.		(10,228)
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		(118,348)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(1,335,000)
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.		<u>(1,486)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>352,534</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Enterprise Fund Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Assets		
Cash and cash equivalents	38,241	2,874
Accounts receivable	22	-
Inventories	3,511	-
Capital assets, net of accumulated depreciation	44,405	-
Total assets	<u>86,179</u>	<u>2,874</u>
Liabilities		
Salaries and benefits payable	1,782	-
Deferred revenue	4,074	-
Total liabilities	<u>5,856</u>	<u>-</u>
Net assets		
Invested in capital assets, net of related debt	44,405	-
Unrestricted	35,918	2,874
Total net assets	<u><u>80,323</u></u>	<u><u>2,874</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal <u>Service Fund</u> \$
Operating revenue:		
Local sources:		
Charges for service	<u>186,282</u>	<u>11,633</u>
Operating expenses:		
Non-instructional programs:		
Salaries	116,115	-
Benefits	20,247	13,119
Purchased services	2,478	-
Supplies	179,233	-
Depreciation	8,495	-
	<u>326,568</u>	<u>13,119</u>
Operating gain (loss)	<u>(140,286)</u>	<u>(1,486)</u>
Non-operating revenue:		
State sources	4,877	-
Federal sources	131,178	-
Interest income	507	-
Total non-operating revenue	<u>136,562</u>	<u>-</u>
Change in net assets	(3,724)	(1,486)
Net assets beginning of year	<u>84,047</u>	<u>4,360</u>
Net assets end of year	<u><u>80,323</u></u>	<u><u>2,874</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	185,634	-
Cash received from other funds	-	11,633
Cash payments to employees for services	(134,581)	-
Cash payments to suppliers for goods or services	<u>(166,196)</u>	<u>(13,119)</u>
Net cash provided (used) by operating activities	<u>(115,143)</u>	<u>(1,486)</u>
Cash flows from non-capital financing activities:		
State grants received	4,877	-
Federal grants received	115,092	-
Net cash provided by non-capital financing activities	<u>119,969</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(18,526)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>507</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(13,193)	(1,486)
Cash and cash equivalents at beginning of year	<u>51,434</u>	<u>4,360</u>
Cash and cash equivalents at end of year	<u><u>38,241</u></u>	<u><u>2,874</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(140,286)	(1,486)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	16,086	-
Depreciation	8,495	-
Decrease (increase) in inventories	(784)	-
Decrease (increase) in accounts receivable	235	-
(Decrease) increase in salaries and benefits payable	1,782	-
(Decrease) increase in deferred revenue	<u>(671)</u>	<u>-</u>
Net cash provided (used) in operating activities	<u>(115,143)</u>	<u>(1,486)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$16,086 of federal commodities.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	445
Liabilities	
Excess of warrants issued over bank balance	<u>200</u>
Net Assets	
Reserved for scholarships	<u><u>245</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	7
Deductions:	
Support services:	
Scholarships awarded	<u>200</u>
Change in net assets	(193)
Net assets beginning of year	<u>438</u>
Net assets end of year	<u><u>245</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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, 2005, disbursements did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
US Treasury Note	2,566	December, 2005
US Treasury Notes	1,272	June, 2006
US Treasury Notes	1,300,645	June, 2007

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	1,507

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Capital Projects Fund	Special Revenue: Activity Fund	2,546

This transfer was to help pay for part of a new track area in the capital projects fund.

4. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets being depreciated:				
Buildings	7,399,897	63,247	17,294	7,445,850
Furniture and equipment	911,688	70,353	55,281	926,760
Total capital assets being deprec.	<u>8,311,585</u>	<u>133,600</u>	<u>72,575</u>	<u>8,372,610</u>
Less accumulated depreciation for:				
Buildings	2,550,363	180,275	10,713	2,719,925
Furniture and equipment	650,045	47,783	53,471	644,357
Total accumulated depreciation	<u>3,200,408</u>	<u>228,058</u>	<u>64,184</u>	<u>3,364,282</u>

Total capital assets being depreciated, net	<u>5,111,177</u>	<u>(94,458)</u>	<u>8,391</u>	<u>5,008,328</u>
Governmental activities capital assets, net	<u>5,111,177</u>	<u>(94,458)</u>	<u>8,391</u>	<u>5,008,328</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	158,630	18,526	9,675	167,481
Less accumulated depreciation	<u>124,256</u>	<u>8,495</u>	<u>9,675</u>	<u>123,076</u>
Business type activities capital assets, net	<u>34,374</u>	<u>10,031</u>	<u>-</u>	<u>44,405</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	6,403
Special	1,187
Other	1,507
Support Services:	
Administration services	250
Operation and maintenance of plant services	1,458
Transportation	36,978
Unallocated depreciation	<u>180,275</u>
Total depreciation expense – governmental activities	<u>228,727</u>
Business type activities:	
Food services	<u>8,495</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,775,000	1,335,000	320,000	3,790,000	335,000
Early retirement	<u>15,346</u>	<u>133,694</u>	<u>15,346</u>	<u>133,694</u>	<u>133,694</u>
Total	<u>2,790,346</u>	<u>1,468,694</u>	<u>335,346</u>	<u>3,923,694</u>	<u>468,694</u>

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, 2005 totaled \$15,346.

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Greenfield April, 2004 Refunding			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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
		<u>960,000</u>	<u>53,365</u>	<u>1,013,365</u>

Year Ended June 30,	Bridgewater-Fontanelle 1998 Bond Issue			
	Interest Rates	Principal	Interest	Total
		\$	\$	\$
2006	4.10	95,000	68,475	163,475
2007	4.20	100,000	64,580	164,580
2008	4.25	100,000	60,380	160,380
2009	4.30	105,000	56,130	161,130
2010	4.40	110,000	51,615	161,615
2011-2015	4.5-4.8	605,000	179,580	784,580
2016-2018	4.8-5.0	380,000	37,750	417,750
		<u>1,495,000</u>	<u>518,510</u>	<u>2,013,510</u>

Year Ended June 30,	Bridgewater-Fontanelle 2005 Crossover advance refunding Bond Issue			
	Interest Rates	Principal	Interest	Total
		\$	\$	\$
2006		-	56,539	56,539
2007		-	46,684	46,684
2008	2.95	110,000	46,684	156,684
2009	3.10	115,000	43,439	158,439
2010	3.20	120,000	39,874	159,874
2011-2015	3.3-3.7	635,000	137,489	772,489
2016-2018	3.8-4.0	355,000	27,038	382,038
		<u>1,335,000</u>	<u>397,747</u>	<u>1,732,747</u>
Total		<u>3,790,000</u>	<u>969,622</u>	<u>4,759,622</u>

Current year refunding

In March, 2005, the District issued \$1,335,000 of general obligation refunding bonds with interest rates ranging between 2.95% to 4.00%. The District issued the bonds to refund \$1,300,000 of the outstanding Bridgewater – Fontanelle 1998 bonds.

This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$44,193.

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, 2005, 2004, and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$206,212, \$202,018, and \$200,409 respectively, equal to the required contributions for each year.

7. Risk Management

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$115,114 which is recorded as a liability as of June 30, 2005.

The 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 \$237,625 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Construction Commitment

The District has entered into contracts totaling \$471,155 for a concession stand and stadium bleachers. As of June 30, 2005 no costs had been incurred against the contracts. The balances remaining at June 30, 2005 will be paid as work on the project progresses.

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, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	3,039,612	186,141	3,225,753	3,567,507	3,567,507	(341,754)
State sources	3,365,873	4,877	3,370,750	3,444,919	3,444,919	(74,169)
Federal sources	226,525	131,178	357,703	360,000	360,000	(2,297)
Total receipts	<u>6,632,010</u>	<u>322,196</u>	<u>6,954,206</u>	<u>7,372,426</u>	<u>7,372,426</u>	<u>(418,220)</u>
Disbursements:						
Instruction	3,732,947	-	3,732,947	4,841,589	4,841,589	1,108,642
Support services	1,593,993	-	1,593,993	1,995,700	1,995,700	401,707
Non-instructional programs	2,310	335,389	337,699	385,000	385,000	47,301
Other expenditures	842,107	-	842,107	917,624	2,272,624	1,430,517
Total disbursements	<u>6,171,357</u>	<u>335,389</u>	<u>6,506,746</u>	<u>8,139,913</u>	<u>9,494,913</u>	<u>2,988,167</u>
Excess (deficiency) of receipts over (under) disbursements	460,653	(13,193)	447,460	(767,487)	(2,122,487)	2,569,947
Other financing sources (uses) net	<u>1,318,212</u>	<u>-</u>	<u>1,318,212</u>	<u>-</u>	<u>-</u>	<u>1,318,212</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	1,778,865	(13,193)	1,765,672	(767,487)	(2,122,487)	3,888,159
Balance beginning of year	<u>1,097,753</u>	<u>51,434</u>	<u>1,149,187</u>	<u>768,802</u>	<u>768,802</u>	<u>380,385</u>
Balance end of year	<u><u>2,876,618</u></u>	<u><u>38,241</u></u>	<u><u>2,914,859</u></u>	<u><u>1,315</u></u>	<u><u>(1,353,685)</u></u>	<u><u>4,268,544</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	6,632,010	267,206	6,899,216
Expenditures	6,171,357	449,616	6,620,973
Net	460,653	(182,410)	278,243
Other financing sources (uses) net	1,318,212	(51)	1,318,161
Beginning fund balances	1,097,753	94,567	1,192,320
Ending fund balances	<u>2,876,618</u>	<u>(87,894)</u>	<u>2,788,724</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	322,196	648	322,844
Expenditures	335,389	(8,821)	326,568
Net	(13,193)	9,469	(3,724)
Beginning fund balances	51,434	32,613	84,047
Ending fund balances	<u>38,241</u>	<u>42,082</u>	<u>80,323</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,355,000.

OTHER SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Services Tax	
	\$	\$	\$	\$	
Cash and pooled investments	272,714	35,376	110,965	181,474	600,529
Receivables:					
Property tax:					
Delinquent	216	-	1,220	-	1,436
Succeeding year	25,000	-	57,717	-	82,717
Accounts	-	6,685	-	-	6,685
Due from other governments	-	-	-	57,980	57,980
Total assets	297,930	42,061	169,902	239,454	749,347
Liabilities & Fund Balances					
Liabilities:					
Excess of warrants issued over bank balance	-	13,165	-	-	13,165
Accounts payable	-	-	-	5,753	5,753
Salaries and benefits payable	-	133	-	-	133
Deferred revenue:					
Succeeding year property tax	25,000	-	57,717	-	82,717
Total liabilities	<u>25,000</u>	<u>13,298</u>	<u>57,717</u>	<u>5,753</u>	<u>101,768</u>
Fund balances:					
Special revenue funds	272,930	28,763	112,185	-	413,878
Capital projects funds	-	-	-	233,701	233,701
Total fund balances	<u>272,930</u>	<u>28,763</u>	<u>112,185</u>	<u>233,701</u>	<u>647,579</u>
Total liabilities and fund balances	297,930	42,061	169,902	239,454	749,347

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds			Capital Projects Fund	Total
	Management	Student	Physical	Local	
	Levy	Activity	Plant and	Option	
			Equipment	Services	
	\$	\$	Levy	Tax	\$
Revenues:					
Local sources:					
Local tax	10,020	-	57,570	354,802	422,392
Other	8,231	167,705	3,102	10,978	190,016
State sources	9	-	49	-	58
Total revenues	<u>18,260</u>	<u>167,705</u>	<u>60,721</u>	<u>365,780</u>	<u>612,466</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	19,244	-	-	-	19,244
Other instruction	-	165,272	-	-	165,272
Support services:					
Student services	846	-	-	-	846
Instructional staff services	433	-	-	-	433
Administration services	47,800	-	-	-	47,800
Operation and maintenance of plant services	4,042	-	-	-	4,042
Transportation services	18,481	-	-	-	18,481
Non-instructional programs	2,310	-	-	-	2,310
Other expenditures:					
Facilities acquisition	-	-	40,623	134,625	175,248
Total expenditures	<u>93,156</u>	<u>165,272</u>	<u>40,623</u>	<u>134,625</u>	<u>433,676</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(74,896)</u>	<u>2,433</u>	<u>20,098</u>	<u>231,155</u>	<u>178,790</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	2,546	2,546
Operating transfers out	-	(2,546)	-	-	(2,546)
Total other financing sources (uses)	<u>-</u>	<u>(2,546)</u>	<u>-</u>	<u>2,546</u>	<u>-</u>
Net change in fund balances	(74,896)	(113)	20,098	233,701	178,790
Fund balances beginning of year	<u>347,826</u>	<u>28,876</u>	<u>92,087</u>	<u>-</u>	<u>468,789</u>
Fund balances end of year	<u><u>272,930</u></u>	<u><u>28,763</u></u>	<u><u>112,185</u></u>	<u><u>233,701</u></u>	<u><u>647,579</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Drama	869	1,901	1,197	-	1,573
Vocal music	5,251	2,246	3,325	-	4,172
Band	936	6,101	5,989	-	1,048
Scoreboard fund	327	6,800	1,164	-	5,963
Basketball	7,361	26,550	21,270	-	12,641
Coed soccer	(2,210)	5,961	8,493	-	(4,742)
Baseball-softball	(4,833)	11,058	13,012	-	(6,787)
Track	(3,642)	10,691	6,745	-	304
Track repair -fund	350	-	-	-	350
Golf	459	1,674	2,004	-	129
Football	1,549	14,167	14,780	-	936
Wrestling	770	9,237	9,972	-	35
Volleyball	3,801	6,408	5,834	-	4,375
Dance team	2,198	4,436	4,466	-	2,168
Cheerleading	710	290	500	-	500
FFA	4,812	24,912	27,424	-	2,300
National Honor Society	(600)	261	318	-	(657)
Student council	1,322	918	2,218	-	22
FBLA	190	-	-	-	190
Activity ticket	153	5,082	3,932	-	1,303
Girls basketball camp	-	1,240	1,365	-	(125)
Juice and pop machine	(1)	519	740	-	(222)
History books	(1,207)	2,690	7,687	-	(6,204)
Yearbook middle school	738	1,340	982	-	1,096
Yearbook	2,263	6,859	6,097	-	3,025
Swing choir trip	38	-	-	-	38
Entrepreneur fund	(78)	596	515	-	3
JH miscellaneous	1,114	953	575	-	1,492
Spanish trip	2	-	-	-	2
Class of 2001	1,855	-	1,855	-	-
Class of 2002	851	-	-	(851)	-
Class of 2004	91	-	(77)	-	168
Class of 2005	3,280	347	2,468	-	1,159
Class of 2006	295	13,254	10,849	-	2,700
Class of 2007	(138)	1,136	968	-	30
Class of 2008	-	78	300	-	(222)
Class of 2009	-	-	851	851	-
Totals	<u>28,876</u>	<u>167,705</u>	<u>167,818</u>	<u>-</u>	<u>28,763</u>

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			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,926,431	2,597,762	2,421,791	2,358,138
Tuition	127,338	99,421	91,697	87,332
Other	259,834	226,266	288,080	326,552
State sources	3,383,312	3,347,324	3,370,494	3,483,191
Federal sources	202,301	220,322	251,796	187,059
Total revenues	<u>6,899,216</u>	<u>6,491,095</u>	<u>6,423,858</u>	<u>6,442,272</u>
Expenditures:				
Instruction:				
Regular instruction	2,353,831	2,221,520	2,311,480	2,461,742
Special instruction	997,283	997,607	982,305	883,477
Other instruction	610,754	600,342	585,465	615,419
Support services:				
Student services	77,039	73,845	77,296	105,240
Instructional staff services	141,386	111,671	111,868	116,549
Administration services	772,778	693,256	691,530	742,741
Operation and maintenance of plant services	504,911	450,698	434,771	412,553
Transportation services	318,494	292,086	327,352	283,154
Central support services	-	-	867	6,817
Non-instructional programs	2,310	2,337	3,279	3,561
Other expenditures:				
Facilities acquisition	175,248	15,807	11,293	30,301
Long-term debt:				
Principal	320,000	285,000	270,000	260,000
Interest and other charges	109,314	145,128	158,948	172,144
AEA flowthrough	237,625	240,419	257,305	258,726
Total expenditures	<u>6,620,973</u>	<u>6,129,716</u>	<u>6,223,759</u>	<u>6,352,424</u>

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

To the Board of Education of
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 as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 28, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nodaway Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 judgment, 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 reportable 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 caused by error or fraud 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 05-I-A is a material weakness.

Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Nodaway Valley Community School District and other parties to whom Nodaway Valley Community School 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, 2005

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

05-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, 2005

Part II: Other Findings Related to Statutory Reporting:

- 05-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, 2005.
- 05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.
- 05-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.
- 05-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.
- 05-II-E Business Transactions: We noted no transactions between the District and District officials or employees.
- 05-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.
- 05-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 05-II-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for September 2004, was overstated by 1 student and line 3 of the Certified Enrollment Certification Form for September 2004, was understated by 1 student
- Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- District Response: We will contact these departments.
- Conclusion: Response accepted.
- 05-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.
- 05-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.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

05-II-K Financial Condition: The Special Revenue, Student Activity Fund has a few accounts with deficit balances at June 30, 2005.

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.

05-II-L Sale of Property: During the year ended June 30, 2005 the District sold certain property. The District did not publish notice of the sale for two consecutive weeks in accordance with Chapter 297.22 of the Code of Iowa.

Recommendation: The District should publish the required notices for sale of District property.

District Response: We will comply with Chapter 297.22 of the Code of Iowa in the future.

Conclusion: Response accepted.