

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

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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, 2006, 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 at June 30, 2006, 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 October 4, 2006, 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 38 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, 2005, (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary 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

October 4, 2006

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Nodaway Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,862,945 in fiscal 2005 to \$5,916,058 in fiscal 2006, while General Fund expenditures decreased from \$5,757,983 in fiscal 2005 to \$5,652,783 in fiscal 2006. The District's General Fund balance increased from \$782,837 in fiscal 2005 to \$1,047,900 in fiscal 2006, a 34% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenue and other miscellaneous income in fiscal 2006. The decrease in expenditures was due primarily to a reduction of staff.

### 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.

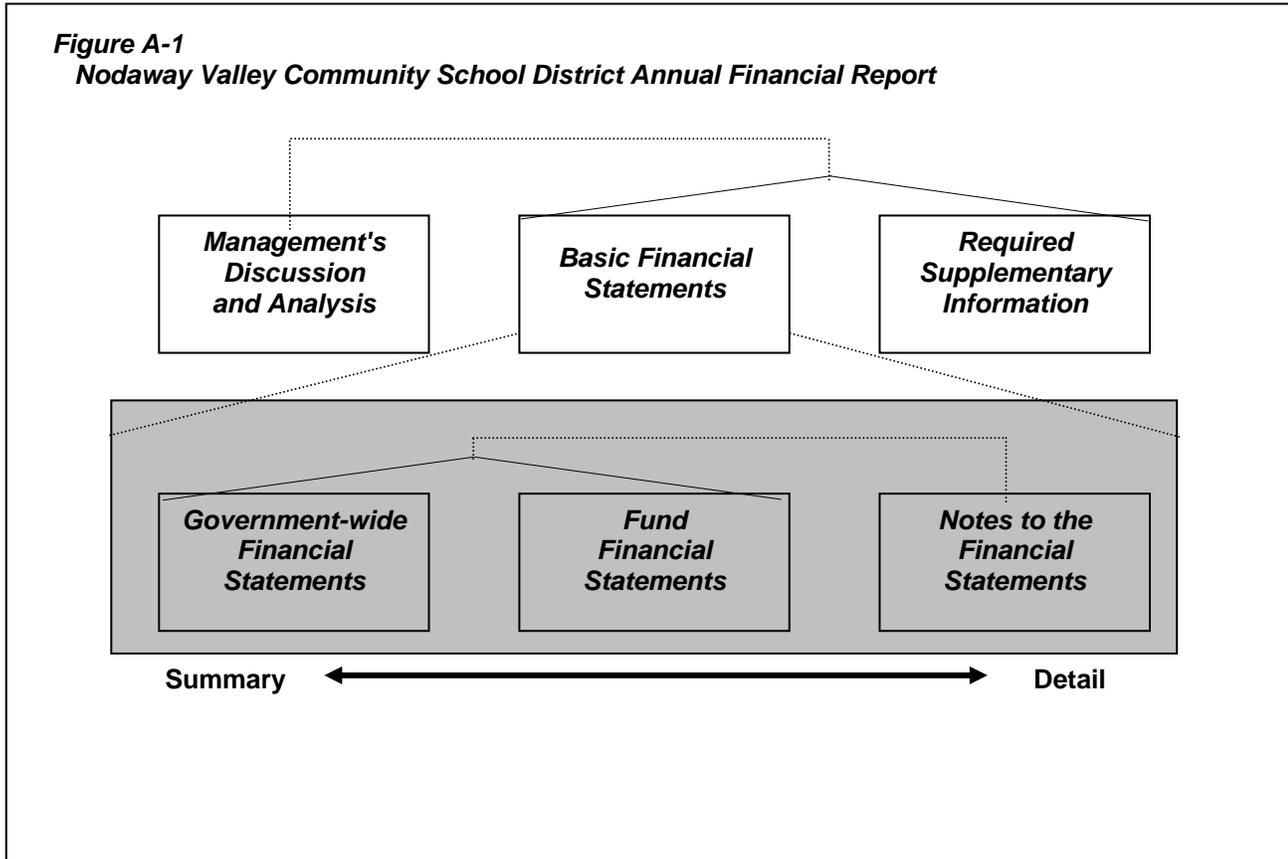


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services 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 revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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, 2006 compared to June 30, 2005.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2006	2005	2006	2005	2006	2005	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,437,222	5,611,655	25,969	41,774	5,463,191	5,653,429	-3%
Capital assets	5,639,216	5,008,328	37,211	44,405	5,676,427	5,052,733	12%
<b>Total assets</b>	<b>11,076,438</b>	<b>10,619,983</b>	<b>63,180</b>	<b>86,179</b>	<b>11,139,618</b>	<b>10,706,162</b>	<b>4%</b>
Long-term liabilities	3,455,000	3,923,694	-	-	3,455,000	3,923,694	-12%
Other liabilities	2,486,791	2,691,243	4,876	5,856	2,491,667	2,697,099	-8%
<b>Total liabilities</b>	<b>5,941,791</b>	<b>6,614,937</b>	<b>4,876</b>	<b>5,856</b>	<b>5,946,667</b>	<b>6,620,793</b>	<b>-10%</b>
Net Assets:							
Invested in capital assets, net of related debt	3,519,216	1,218,328	37,211	44,405	3,556,427	1,262,733	182%
Restricted	448,300	1,637,743	-	-	448,300	1,637,743	-73%
Unrestricted	1,167,131	1,148,975	21,093	35,918	1,188,224	1,184,893	.3%
<b>TOTAL NET ASSETS</b>	<b>5,134,647</b>	<b>4,005,046</b>	<b>58,304</b>	<b>80,323</b>	<b>5,192,951</b>	<b>4,085,369</b>	<b>27%</b>

The District's combined net assets increased by nearly 27%, or approximately \$1,107,582, 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 decreased approximately \$1,189,443 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 debt covenants, enabling legislation or other legal requirements – increased approximately \$3,331.

Figure A-4 shows the change in net assets for the years ended June 30, 2006 and 2005.

Figure A-4

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	
Revenues							
Program Revenues:							
Charges for services	439,898	354,026	174,458	186,282	614,356	540,308	13.7%
Operating grants & contributions	787,344	704,995	141,314	136,055	928,658	841,050	10.4%
Capital grants & contributions	67,614	-	-	-	67,614	-	100%
General Revenues:							
Property taxes	2,398,247	2,413,420	-	-	2,398,247	2,413,420	-.6%
Income Surtax	160,385	160,863	-	-	160,385	160,863	-.02%
Local option sales tax	366,822	354,802	-	-	366,822	354,802	3.4%
Unrestricted state grants	2,892,812	2,880,618	-	-	2,892,812	2,880,618	.4%
Unrestricted investment earnings	45,202	26,348	330	507	45,532	26,855	69.5%
Other revenue	74,376	(18,432)	-	-	74,376	(18,432)	503.5%
<b>Total Revenues</b>	<b>7,232,700</b>	<b>6,876,640</b>	<b>316,102</b>	<b>322,844</b>	<b>7,548,802</b>	<b>7,199,484</b>	<b>4.9%</b>
Expenses:							
Instruction	3,758,372	3,951,213	-	-	3,758,372	3,951,213	-4.9%
Support services	1,791,004	1,921,140	-	-	1,791,004	1,921,140	-6.8%
Non-instructional programs	2,492	2,310	338,121	326,568	340,613	328,878	3.6%
Other expenditures	551,231	649,443	-	-	551,231	649,443	-15.1%
<b>Total expenses</b>	<b>6,103,099</b>	<b>6,524,106</b>	<b>338,121</b>	<b>326,568</b>	<b>6,441,220</b>	<b>6,850,674</b>	<b>-6%</b>
<b>Change in net assets before transfers</b>	<b>1,129,601</b>	<b>352,534</b>	<b>(22,019)</b>	<b>(3,724)</b>	<b>1,107,582</b>	<b>348,810</b>	<b>217.5%</b>
Transfers	-	-	-	-	-	-	
<b>CHANGE IN NET ASSETS</b>	<b>1,129,601</b>	<b>352,534</b>	<b>(22,019)</b>	<b>(3,724)</b>	<b>1,107,582</b>	<b>348,810</b>	<b>217.5%</b>
Net assets beginning of year	4,005,046	3,652,512	80,323	84,047	4,085,369	3,736,559	9.3%
Net assets end of year	5,134,647	4,005,046	58,304	84,047	5,192,951	4,085,369	27.1%

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$7,232,700 and expenses were \$6,103,099.

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**

	<b>Total Cost of Services 2006 \$</b>	<b>Total Cost of Services 2005 \$</b>	<b>Net Cost of Services 2006 \$</b>	<b>Net Cost of Services 2005 \$</b>
Instruction	3,758,372	3,951,213	2,902,645	3,141,781
Support Services	1,791,004	1,921,140	1,691,272	1,909,176
Non-instructional Programs	2,492	2,310	2,492	2,310
Other Expenses	551,231	649,443	211,834	411,818
<b>TOTAL</b>	<b>6,103,099</b>	<b>6,524,106</b>	<b>4,808,243</b>	<b>5,465,085</b>

- The cost financed by users of the District’s programs was \$439,898.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$787,344.
- The net cost of governmental activities was financed with \$2,925,454 in property and other taxes and \$2,892,812 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$315,772 and expenses were \$338,121. 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 \$2,809,504, an increase of \$20,780 above last year’s ending fund balances of \$2,788,724

**Governmental Fund Highlights**

- The District’s General Fund financial position is the result of many factors. Expenditures were \$105,200 less in 2006 than in 2005, revenues were \$263,275 more than expenditures.
- The General Fund balance increased from \$782,837 to \$1,047,900.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$112,185 in fiscal 2005 to \$109,060 in fiscal 2006, a change of \$3,125.
- The Debt Service Fund balance increased \$2,699 in 2006. The District ended fiscal 2006 with a balance of \$1,361,007 consisting primarily of approximately \$1.3 held in escrow to fund the crossover bond refunding issued in 2005.

- 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 was the reconstruction of the high school track, stadium bleachers, and the plaza area behind the stadium bleaches which was completed in the fall of 2005. Total cost of the project was \$669,254. The project was partially funded by donations. The expenditures for the Capital Projects Fund were \$66,397 more than revenues. Fund balance at the end of fiscal year 2006 was \$167,304.

### Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$80,323 at June 30, 2005 to \$58,304 at June 30, 2006, representing a decrease of approximately 27%. A 6% decrease in sales and an increase of 3.5% in expenditures account for the change.

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

### BUDGETARY HIGHLIGHTS

The District's receipts were \$107,870 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, 2006, the District had invested \$5,676,427, 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 \$250,680.

The original cost of the District's capital assets was \$9,211,284. Governmental funds account for \$9,043,803, 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 2005-2006
	2006	2005	2006	2005	2006	2005	
	\$	\$	\$	\$	\$	\$	
Construction in progress	-	-	-	-	-	-	0
Land & Buildings	4,799,223	4,725,925	-	-	4,799,223	4,725,925	2%
Improvements	342,464	-	-	-	342,464	-	100%
Equipment & Furniture	497,529	282,403	37,211	44,405	534,740	326,808	64%
<b>TOTAL</b>	<b>5,639,216</b>	<b>5,008,328</b>	<b>37,211</b>	<b>44,405</b>	<b>5,676,427</b>	<b>5,052,733</b>	<b>12%</b>

## Long-Term Debt

At June 30, 2006, the District had \$3,455,000 in general obligation bonds outstanding. This represents a decrease of approximately 12% from last year. (See Figure A-7)

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

	<b>Total School District</b>		<b>Percentage</b>
	<b>2006</b>	<b>2005</b>	<b>Change</b>
			<b>2005-2006</b>
	\$	\$	
General Obligation Bonds	3,455,000	3,790,000	-12%
Local Option Sales and Services			
Tax Revenue Bonds			
Capital Loan Notes			
Capital Leases			
Early Retirement	0	133,694	-100%
Compensated Absences			
	<u>3,455,000</u>	<u>3,923,694</u>	<u>-12%</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. The District's September 2006 enrollment increased by 7 students.
- 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 was scheduled to end in fiscal year 2007 unless renewed. The Board renewed the levy for five years on August 14, 2006.
- 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, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	1,381,571	22,697	1,404,268
Cash with a fiscal agent	1,301,293	-	1,301,293
Receivables:			
Property tax:			
Delinquent	43,876	-	43,876
Succeeding year	2,449,641	-	2,449,641
Accounts	5,735	71	5,806
Accrued interest:			
Other	412	-	412
Due from other governments	254,694	-	254,694
Inventories	-	3,201	3,201
Capital assets, net of accumulated depreciation	5,639,216	37,211	5,676,427
<b>Total assets</b>	<b>11,076,438</b>	<b>63,180</b>	<b>11,139,618</b>
<b>Liabilities</b>			
Accounts payable	1,653	-	1,653
Salaries and benefits payable	20,203	726	20,929
Due to other governments	4,660	-	4,660
Accrued interest payable	10,634	-	10,634
Deferred revenue:			
Succeeding year property tax	2,449,641	-	2,449,641
Other	-	4,150	4,150
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	350,000	-	350,000
Portion due after one year:			
General obligation bonds payable	3,105,000	-	3,105,000
<b>Total liabilities</b>	<b>5,941,791</b>	<b>4,876</b>	<b>5,946,667</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,519,216	37,211	3,556,427
Restricted for:			
Gifted and talented program	32,330	-	32,330
Management levy	86,203	-	86,203
Physical plant and equipment levy	109,060	-	109,060
Other special revenue purposes	38,030	-	38,030
Local option sales tax capital projects	167,304	-	167,304
Debt service	15,373	-	15,373
Unrestricted	1,167,131	21,093	1,188,224
<b>Total net assets</b>	<b>5,134,647</b>	<b>58,304</b>	<b>5,192,951</b>

See notes to financial statements.

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2006

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular instruction	2,008,178	192,247	273,499	-
Special instruction	729,609	12,921	138,082	-
Other instruction	1,020,585	225,909	13,069	-
	<u>3,758,372</u>	<u>431,077</u>	<u>424,650</u>	<u>-</u>
Support services:				
Student services	85,252	-	-	24,548
Instructional staff services	202,937	-	66,012	-
Administration services	731,596	-	-	-
Operation and maintenance of plant services	426,135	2,676	-	-
Transportation services	345,084	6,145	351	-
	<u>1,791,004</u>	<u>8,821</u>	<u>66,363</u>	<u>24,548</u>
Non-instructional programs	<u>2,492</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	-	43,066
Long-term debt interest	135,576	-	59,210	-
AEA flowthrough	237,121	-	237,121	-
Depreciation (unallocated)*	178,534	-	-	-
	<u>551,231</u>	<u>-</u>	<u>296,331</u>	<u>43,066</u>
Total governmental activities	<u>6,103,099</u>	<u>439,898</u>	<u>787,344</u>	<u>67,614</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>338,121</u>	<u>174,458</u>	<u>141,314</u>	<u>-</u>
Total	<u>6,441,220</u>	<u>614,356</u>	<u>928,658</u>	<u>67,614</u>
<b>General Revenues:</b>				
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, 2006

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(1,542,432)	-	(1,542,432)
(578,606)	-	(578,606)
(781,607)	-	(781,607)
<u>(2,902,645)</u>	<u>-</u>	<u>(2,902,645)</u>
(60,704)	-	(60,704)
(136,925)	-	(136,925)
(731,596)	-	(731,596)
(423,459)	-	(423,459)
(338,588)	-	(338,588)
<u>(1,691,272)</u>	<u>-</u>	<u>(1,691,272)</u>
<u>(2,492)</u>	<u>-</u>	<u>(2,492)</u>
43,066	-	43,066
(76,366)	-	(76,366)
-	-	-
(178,534)	-	(178,534)
<u>(211,834)</u>	<u>-</u>	<u>(211,834)</u>
(4,808,243)	-	(4,808,243)
-	(22,349)	(22,349)
<u>(4,808,243)</u>	<u>(22,349)</u>	<u>(4,830,592)</u>
1,916,432	-	1,916,432
424,140	-	424,140
57,675	-	57,675
160,385	-	160,385
366,822	-	366,822
2,892,812	-	2,892,812
45,202	330	45,532
74,376	-	74,376
<u>5,937,844</u>	<u>330</u>	<u>5,938,174</u>
1,129,601	(22,019)	1,107,582
4,005,046	80,323	4,085,369
<u>5,134,647</u>	<u>58,304</u>	<u>5,192,951</u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2006

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	1,001,799	51,597	324,835	1,378,231
Cash with a fiscal agent	-	1,301,293	-	1,301,293
Receivables:				
Property tax:				
Delinquent	34,680	7,705	1,491	43,876
Succeeding year	1,949,802	332,128	167,711	2,449,641
Accounts	2,972	-	2,763	5,735
Accrued interest - other	-	412	-	412
Due from other governments	183,072	-	71,622	254,694
<b>Total assets</b>	<b><u>3,172,325</u></b>	<b><u>1,693,135</u></b>	<b><u>568,422</u></b>	<b><u>5,433,882</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	1,539	-	114	1,653
Salaries and benefits payable	20,203	-	-	20,203
Due to other governments	4,660	-	-	4,660
Deferred revenue:				
Succeeding year property tax	1,949,802	332,128	167,711	2,449,641
Other	148,221	-	-	148,221
Total liabilities	<u>2,124,425</u>	<u>332,128</u>	<u>167,825</u>	<u>2,624,378</u>
Fund balances:				
Reserved for:				
Gifted and talented program	32,330	-	-	32,330
Debt service	-	1,361,007	-	1,361,007
Unreserved reported in:				
General fund	1,015,570	-	-	1,015,570
Special revenue funds	-	-	233,293	233,293
Capital projects funds	-	-	167,304	167,304
Total fund balances	<u>1,047,900</u>	<u>1,361,007</u>	<u>400,597</u>	<u>2,809,504</u>
<b>Total liabilities and fund balances</b>	<b><u>3,172,325</u></b>	<b><u>1,693,135</u></b>	<b><u>568,422</u></b>	<b><u>5,433,882</u></b>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,809,504
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,639,216
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	148,221
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,634)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	3,340
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,455,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>5,134,647</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,051,836	424,140	451,130	2,927,106
Tuition	125,053	-	-	125,053
Other	135,375	59,210	300,649	495,234
Intermediate sources	103	-	-	103
State sources	3,412,606	350	13,629	3,426,585
Federal sources	191,085	-	-	191,085
Total revenues	<u>5,916,058</u>	<u>483,700</u>	<u>765,408</u>	<u>7,165,166</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,097,506	-	56,346	2,153,852
Special instruction	729,067	-	542	729,609
Other instruction	749,308	-	288,848	1,038,156
	<u>3,575,881</u>	<u>-</u>	<u>345,736</u>	<u>3,921,617</u>
Support services:				
Student services	84,710	-	542	85,252
Instructional staff services	171,466	-	29,677	201,143
Administration services	709,549	-	22,047	731,596
Operation and maintenance of plant services	592,501	-	38,061	630,562
Transportation services	281,555	-	62,468	344,023
	<u>1,839,781</u>	<u>-</u>	<u>152,795</u>	<u>1,992,576</u>
Non-instructional programs	-	-	2,492	2,492
Other expenditures:				
Facilities acquisition	-	-	511,367	511,367
Long-term debt:				
Principal	-	335,000	-	335,000
Interest and fiscal charges	-	146,001	-	146,001
AEA flowthrough	237,121	-	-	237,121
	<u>237,121</u>	<u>481,001</u>	<u>511,367</u>	<u>1,229,489</u>
Total expenditures	<u>5,652,783</u>	<u>481,001</u>	<u>1,012,390</u>	<u>7,146,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>263,275</u>	<u>2,699</u>	<u>(246,982)</u>	<u>18,992</u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	522	-	-	522
Sales of materials and equipment	1,266	-	-	1,266
Total other financing sources (uses)	<u>1,788</u>	<u>-</u>	<u>-</u>	<u>1,788</u>
Net change in fund balances	265,063	2,699	(246,982)	20,780
Fund balances beginning of year	<u>782,837</u>	<u>1,358,308</u>	<u>647,579</u>	<u>2,788,724</u>
Fund balances end of year	<u><u>1,047,900</u></u>	<u><u>1,361,007</u></u>	<u><u>400,597</u></u>	<u><u>2,809,504</u></u>

## 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, 2006

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		20,780
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
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	874,374	
Depreciation expense	<u>(243,486)</u>	630,888
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.		(1,652)
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.		335,000
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.		10,425
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		133,694
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>466</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>1,129,601</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2006

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal <u>Service Fund</u> \$
<b>Assets</b>		
Cash and cash equivalents	22,697	3,340
Accounts receivable	71	-
Inventories	3,201	-
Capital assets, net of accumulated depreciation	<u>37,211</u>	<u>-</u>
<b>Total assets</b>	<u>63,180</u>	<u>3,340</u>
<b>Liabilities</b>		
Salaries and benefits payable	726	-
Deferred revenue	<u>4,150</u>	<u>-</u>
<b>Total liabilities</b>	<u>4,876</u>	<u>-</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	37,211	-
Unrestricted	<u>21,093</u>	<u>3,340</u>
<b>Total net assets</b>	<u><u>58,304</u></u>	<u><u>3,340</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal <u>Service Fund</u> \$
Operating revenue:		
Local sources:		
Charges for service	<u>174,458</u>	<u>15,868</u>
Operating expenses:		
Non-instructional programs:		
Salaries	121,488	-
Benefits	21,362	15,402
Purchased services	3,923	-
Supplies	184,154	-
Depreciation	7,194	-
	<u>338,121</u>	<u>15,402</u>
Operating gain (loss)	<u>(163,663)</u>	<u>466</u>
Non-operating revenue:		
State sources	4,506	-
Federal sources	136,808	-
Interest income	330	-
Total non-operating revenue	<u>141,644</u>	<u>-</u>
Change in net assets	(22,019)	466
Net assets beginning of year	<u>80,323</u>	<u>2,874</u>
Net assets end of year	<u><u>58,304</u></u>	<u><u>3,340</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2006

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Nonmajor School Nutrition</u>	<u>Service Fund</u>
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	174,483	-
Cash received from other funds	-	15,868
Cash payments to employees for services	(143,905)	-
Cash payments to suppliers for goods or services	<u>(172,737)</u>	<u>(15,402)</u>
Net cash provided (used) by operating activities	<u>(142,159)</u>	<u>466</u>
Cash flows from non-capital financing activities:		
State grants received	4,506	-
Federal grants received	<u>121,779</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>126,285</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>330</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(15,544)	466
Cash and cash equivalents at beginning of year	<u>38,241</u>	<u>2,874</u>
Cash and cash equivalents at end of year	<u><u>22,697</u></u>	<u><u>3,340</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(163,663)	466
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	15,029	-
Depreciation	7,194	-
Decrease (increase) in inventories	310	-
Decrease (increase) in accounts receivable	(49)	-
(Decrease) increase in salaries and benefits payable	(1,056)	-
(Decrease) increase in deferred revenue	<u>76</u>	<u>-</u>
Net cash provided (used) in operating activities	<u><u>(142,159)</u></u>	<u><u>466</u></u>

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

During the year ended June 30, 2006, the District received \$15,029 of federal commodities.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	55
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>55</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	10
Deductions:	
Support services:	
Scholarships awarded	<u>200</u>
Change in net assets	(190)
Net assets beginning of year	<u>245</u>
Net assets end of year	<u><u>55</u></u>

# NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2006

### 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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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, 2006, expenditures exceeded the amounts budgeted in the support services function.

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

The District's deposits in banks at June 30, 2006 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, 2006, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
US Treasury Note	1,300,645	06/01/07

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	1,159

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.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

### 3. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Land	-	-	(38,401)	38,401
Capital assets being depreciated:				
Buildings	7,445,850	265,060	389,036	7,321,874
Improvements	-	277,727	(268,163)	545,890
Furniture and equipment	926,760	264,189	53,311	1,137,638
Total capital assets being deprec.	<u>8,372,610</u>	<u>806,976</u>	<u>174,184</u>	<u>9,005,402</u>
Less accumulated depreciation for:				
Buildings	2,719,925	154,091	312,964	2,561,052
Improvements	-	22,830	(180,596)	203,426
Furniture and equipment	644,357	66,565	70,813	640,109
Total accumulated depreciation	<u>3,364,282</u>	<u>243,486</u>	<u>203,181</u>	<u>3,404,587</u>
Total capital assets being depreciated, net	<u>5,008,328</u>	<u>563,490</u>	<u>(28,997)</u>	<u>5,600,815</u>
Governmental activities capital assets, net	<u>5,008,328</u>	<u>563,490</u>	<u>(67,398)</u>	<u>5,639,216</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	167,481	-	-	167,481
Less accumulated depreciation	<u>123,076</u>	<u>7,194</u>	<u>-</u>	<u>130,270</u>
Business type activities capital assets, net	<u>44,405</u>	<u>(7,194)</u>	<u>-</u>	<u>37,211</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	18,702
Support Services:	
Instructional staff	1,794
Operation and maintenance of plant services	395
Transportation	44,061
Unallocated depreciation	<u>178,534</u>
Total depreciation expense – governmental activities	<u>243,486</u>
Business type activities:	
Food services	<u>7,194</u>

#### 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	3,790,000	-	335,000	3,455,000	350,000
Termination benefits	<u>133,694</u>	<u>-</u>	<u>133,694</u>	<u>-</u>	<u>-</u>
Total	<u>3,923,694</u>	<u>-</u>	<u>468,694</u>	<u>3,455,000</u>	<u>350,000</u>

##### Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2006, the District had no early retirement liability. Expenditures for the year ended June 30, 2006 totaled \$133,694.

## General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Greenfield April, 2004 Refunding			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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>720,000</u>	<u>33,178</u>	<u>753,178</u>

Year Ended June 30,	Bridgewater-Fontanelle 1998 Bond Issue			
	Interest Rates	Principal	Interest	Total
		\$	\$	\$
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	4.50	115,000	46,775	161,775
2012-2016	4.6-4.8	615,000	151,430	766,430
2017-2018	4.9-5.0	255,000	19,125	274,125
		<u>1,400,000</u>	<u>450,035</u>	<u>1,850,035</u>

Year Ended June 30,	Bridgewater-Fontanelle 2005 Crossover Advance Refunding Bond Issue			
	Interest Rates	Principal	Interest	Total
		\$	\$	\$
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	3.3	125,000	36,034	161,034
2012-2016	3.4-3.8	635,000	115,250	750,250
2017-2018	3.875-4.0	230,000	13,244	243,244
		<u>1,335,000</u>	<u>341,209</u>	<u>1,676,209</u>
Total		<u>3,455,000</u>	<u>824,422</u>	<u>4,279,422</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 their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005, and 2004. Contribution requirements are established by state statute. The District's contributions to

IPERS for the years ended June 30, 2006, 2005, and 2004 were \$209,387, \$206,212 and \$202,018 respectively, equal to the required contributions for each year.

## **6. Risk Management**

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.

## **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 \$237,121 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,547,393	174,788	3,722,181	3,415,234	3,415,234	306,947
Intermediate sources	103	-	103	-	-	103
State sources	3,426,585	4,506	3,431,091	3,550,264	3,550,264	(119,173)
Federal sources	191,085	136,808	327,893	407,900	407,900	(80,007)
Total revenues	<u>7,165,166</u>	<u>316,102</u>	<u>7,481,268</u>	<u>7,373,398</u>	<u>7,373,398</u>	<u>107,870</u>
Expenditures:						
Instruction	3,921,617	-	3,921,617	5,183,717	5,183,717	1,262,100
Support services	1,992,576	-	1,992,576	1,883,970	1,883,970	(108,606)
Non-instructional programs	2,492	338,121	340,613	431,234	431,234	90,621
Other expenditures	1,229,489	-	1,229,489	1,281,063	1,281,063	51,574
Total expenditures	<u>7,146,174</u>	<u>338,121</u>	<u>7,484,295</u>	<u>8,779,984</u>	<u>8,779,984</u>	<u>1,295,689</u>
Excess (deficiency) of revenues over (under) expenditures	18,992	(22,019)	(3,027)	(1,406,586)	(1,406,586)	1,403,559
Other financing sources (uses) net	<u>1,788</u>	<u>-</u>	<u>1,788</u>	<u>-</u>	<u>-</u>	<u>1,788</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	20,780	(22,019)	(1,239)	(1,406,586)	(1,406,586)	1,405,347
Balance beginning of year	<u>2,788,724</u>	<u>80,323</u>	<u>2,869,047</u>	<u>1,406,624</u>	<u>1,406,624</u>	<u>1,462,423</u>
Balance end of year	<u><u>2,809,504</u></u>	<u><u>58,304</u></u>	<u><u>2,867,808</u></u>	<u><u>38</u></u>	<u><u>38</u></u>	<u><u>2,867,770</u></u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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 a GAAP basis.

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

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

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	85,745	35,381	108,027	95,682	324,835
Receivables:					
Property tax:					
Delinquent	458	-	1,033	-	1,491
Succeeding year	110,000	-	57,711	-	167,711
Accounts	-	2,763	-	-	2,763
Due from other governments	-	-	-	71,622	71,622
<b>Total assets</b>	<b>196,203</b>	<b>38,144</b>	<b>166,771</b>	<b>167,304</b>	<b>568,422</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	114	-	-	114
Deferred revenue:					
Succeeding year property tax	110,000	-	57,711	-	167,711
Total liabilities	110,000	114	57,711	-	167,825
Fund balances:					
Unreserved reported in:					
Special revenue funds	86,203	38,030	109,060	-	233,293
Capital projects funds	-	-	-	167,304	167,304
Total fund balances	86,203	38,030	109,060	167,304	400,597
<b>Total liabilities and fund balances</b>	<b>196,203</b>	<b>38,144</b>	<b>166,771</b>	<b>167,304</b>	<b>568,422</b>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds			Capital Projects Fund	Total
	Management	Student	Physical	Local	
	Levy	Activity	Plant and	Option	
		Equipment	Services		
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	24,981	-	57,675	368,474	451,130
Other	7,742	245,042	3,394	44,471	300,649
State sources	21	-	48	13,560	13,629
Total revenues	<u>32,744</u>	<u>245,042</u>	<u>61,117</u>	<u>426,505</u>	<u>765,408</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	56,346	-	-	-	56,346
Special instruction	542	-	-	-	542
Other instruction	53,092	235,756	-	-	288,848
Support services:					
Student services	542	-	-	-	542
Instructional staff services	29,677	-	-	-	29,677
Administration services	19,837	19	-	2,191	22,047
Operation and maintenance of plant services	37,475	-	586	-	38,061
Transportation services	19,468	-	43,000	-	62,468
Non-instructional programs	2,492	-	-	-	2,492
Other expenditures:					
Facilities acquisition	-	-	20,656	490,711	511,367
Total expenditures	<u>219,471</u>	<u>235,775</u>	<u>64,242</u>	<u>492,902</u>	<u>1,012,390</u>
Excess (deficiency) of revenues over (under) expenditures	(186,727)	9,267	(3,125)	(66,397)	(246,982)
Fund balances beginning of year	<u>272,930</u>	<u>28,763</u>	<u>112,185</u>	<u>233,701</u>	<u>647,579</u>
Fund balances end of year	<u>86,203</u>	<u>38,030</u>	<u>109,060</u>	<u>167,304</u>	<u>400,597</u>

## NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,  
Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Drama	1,573	723	830	1,466
Vocal music	4,172	9,173	11,103	2,242
Band	1,048	3,687	3,643	1,092
Scoreboard fund	5,963	900	1,477	5,386
Basketball	12,641	32,523	17,574	27,590
Coed soccer	(4,742)	6,651	7,997	(6,088)
Baseball-softball	(6,787)	9,266	13,251	(10,772)
Track	304	12,592	17,408	(4,512)
Track repair-fund	350	-	-	350
Golf	129	512	1,000	(359)
Football	936	13,968	17,472	(2,568)
Wrestling	35	11,345	14,156	(2,776)
Volleyball	4,375	3,384	4,102	3,657
Dance team	2,168	5,473	5,024	2,617
Cheerleading	500	1,218	2,556	(838)
FFA	2,300	17,737	18,680	1,357
National Honor Society	(657)	-	-	(657)
Student council	22	1,228	861	389
FBLA	190	-	-	190
Activity ticket	1,303	9,817	3,650	7,470
Girls basketball camp	(125)	1,123	328	670
Juice and pop machine	(222)	5,342	702	4,418
History books	(6,204)	202	4	(6,006)
Yearbook middle school	1,096	1,280	632	1,744
Yearbook	3,025	6,835	6,484	3,376
Swing choir trip	38	56,182	55,492	728
Entrepreneur fund	3	-	-	3
MS student council	1,492	4,264	3,421	2,335
Belize trip	-	13,065	13,065	-
Spanish trip	2	-	-	2
Class of 2004	168	-	-	168
Class of 2005	1,159	-	246	913
Class of 2006	2,700	334	829	2,205
Class of 2007	30	15,395	13,175	2,250
Class of 2008	(222)	725	313	190
Class of 2009	-	98	300	(202)
	<u>28,763</u>	<u>245,042</u>	<u>235,775</u>	<u>38,030</u>
Totals	<u>28,763</u>	<u>245,042</u>	<u>235,775</u>	<u>38,030</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			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,927,106	2,926,431	2,597,762	2,421,791
Tuition	125,053	127,338	99,421	91,697
Other	495,234	259,834	226,266	288,080
Intermediate sources	103	-	-	-
State sources	3,426,585	3,383,312	3,347,324	3,370,494
Federal sources	191,085	202,301	220,322	251,796
Total revenues	<u>7,165,166</u>	<u>6,899,216</u>	<u>6,491,095</u>	<u>6,423,858</u>
Expenditures:				
Instruction:				
Regular instruction	2,153,852	2,353,831	2,221,520	2,311,480
Special instruction	729,609	997,283	997,607	982,305
Other instruction	1,038,156	610,754	600,342	585,465
Support services:				
Student services	85,252	77,039	73,845	77,296
Instructional staff services	201,143	141,386	111,671	111,868
Administration services	731,596	772,778	693,256	691,530
Operation and maintenance of plant services	630,562	504,911	450,698	434,771
Transportation services	344,023	318,494	292,086	327,352
Central support services	-	-	-	867
Non-instructional programs	2,492	2,310	2,337	3,279
Other expenditures:				
Facilities acquisition	511,367	175,248	15,807	11,293
Long-term debt:				
Principal	335,000	320,000	285,000	270,000
Interest and other charges	146,001	109,314	145,128	158,948
AEA flowthrough	237,121	237,625	240,419	257,305
Total expenditures	<u>7,146,174</u>	<u>6,620,973</u>	<u>6,129,716</u>	<u>6,223,759</u>

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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 4, 2006. 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 06-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, 2006 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

October 4, 2006

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-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, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the support services function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. This may be due in part to new coding requirements put in place during Fiscal Year 2006 by the Department of Education.

Conclusion: Response accepted.

06-II-B 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.

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

06-II-D Business Transactions: We noted no transactions between the District and District officials or employees.

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

06-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

06-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

06-II-H 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.

06-II-I Certified Annual Report (CAR): The audit field work was completed prior to the date the Certified Annual Report was certified to the Iowa Department of Education.

06-II-J Financial Condition: The Special Revenue, Student Activity Fund has a few accounts with deficit balances at June 30, 2006.

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.