

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	17
Statement of Activities	B	18-19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses, and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Notes to Financial Statements		28-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	44
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		45-46
Schedule of Findings		47-52

Gary E. Horton CPA

PO Box 384

Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

BETCO@mchsi.com E-mail

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nishna Valley Community School District, Hastings, Iowa, as of and for the year ended June 30, 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 Nishna 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 August 15, 2006, on our consideration of Nishna Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 15 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 Nishna Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

August 15, 2006

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Management Discussion and Analysis for the Fiscal Year Ended June 30, 2006

The discussion and analysis of Nishna Valley Community School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

- The General Fund ending cash balance in fiscal year 2005 was \$316,184. The District had four \$100,000 certificates of deposit with a total of \$402,260. Also, the District had \$2,085 in their ISJIT account.
- The General Fund ending cash balance in fiscal year 2006 was \$245,793. The District had three \$100,000 certificates of deposit with a total of \$306,496. Also, the District had \$2,171 in their ISJIT account.
- The decrease in General Fund cash was caused by a significant increase in expenditures. Major expenditures again included an increased cost for special education tuition and transportation. Also, payment of all teacher salaries for July and August by June 30, 2006.
- In an effort to balance the declining reserve trends in the General Fund, the District again reduced the Superintendent from full-time to half-time at a savings of approximately \$44,000. The District also entered into an agreement with the Elementary Principal whereby his contract was reduced from 225 days to 135. This reduction saved the District approximately \$20,000. The District also continued reducing the Band/Vocal departments from two full-time positions to 1.5 at a savings of approximately \$25,000. The Custodial staff continued at two full-time positions and one half-time position for a savings of approximately \$15,000 again in 05-06.

Overview of the Financial Statements

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

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

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

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

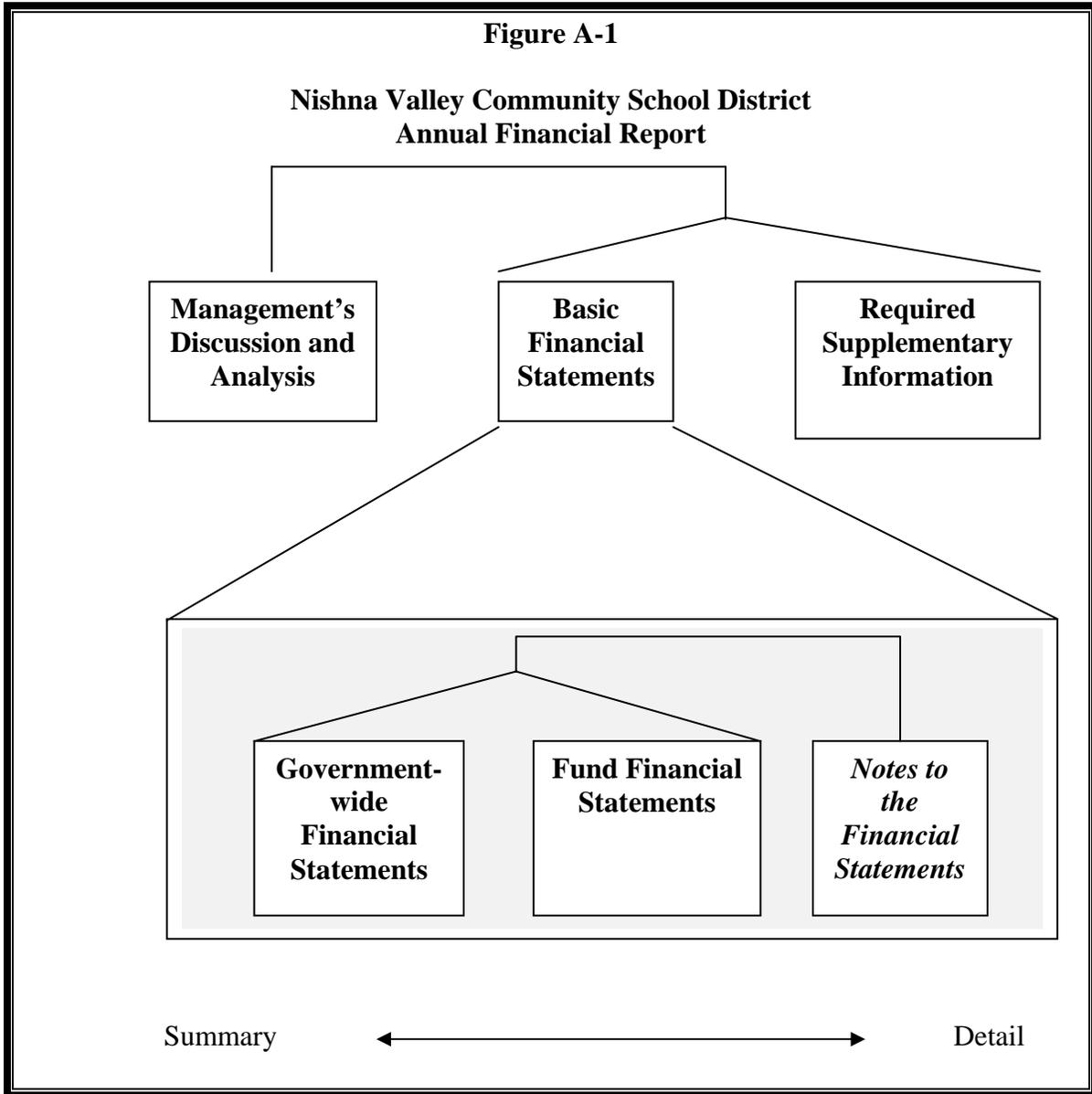


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

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

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

Government-wide Financial Statements

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

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

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. Nishna Valley Community School District does not have any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the years ended June 30, 2006 and 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District	
	2005	2006	2005	2006	2005	2006
Assets:						
Current and Other Assets	\$4,652,753	\$2,904,004	\$ 20,397	\$34,349	\$4,673,150	\$2,938,353
Capital Assets, Net	\$ 404,595	\$2,894,151	\$ 19,674	\$ 17,613	\$ 424,269	\$2,911,764
Total Assets	\$5,057,348	\$5,798,155	\$ 40,071	\$ 51,962	\$5,097,419	\$5,850,117
Liabilities:						
Current and Other Liabilities	\$1,183,220	\$1,891,701	\$ 1,630	\$ 2,025	\$1,184,850	\$1,893,726
Long-Term Liabilities	\$2,885,000	\$2,785,000	0	0	\$2,885,000	\$2,785,000
Total Liabilities	\$4,068,220	\$4,676,701	\$ 1,630	\$ 2,025	\$4,069,850	\$4,678,726
Net Assets:						
Invested in Capital Assets Net of Related Debt	\$ 383,015	\$ 502,644	\$ 19,674	\$ 17,613	\$ 402,689	\$ 520,257
Restricted	\$ 190,330	\$ 268,196	0	0	\$ 190,330	\$ 268,196
Unrestricted	\$ 415,783	\$ 350,614	\$ 18,767	\$ 32,324	\$ 434,550	\$ 382,938
Total Net Assets	\$ 989,128	\$1,121,454	\$ 38,441	\$ 49,937	\$1,027,569	\$1,171,391

Total net assets is the difference between the District's assets and liabilities. The District's total net assets increased by \$143,822 from 2005 to 2006. Net assets are divided into three categories, invested in capital assets net of related debt, restricted and unrestricted.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$77,866 over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements – decreased by \$51,612. This reduction in unrestricted net assets was a result of the District using carry over fund balance to meet its financial obligations during the year.

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

Figure A-4

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total School District	
	2005	2006	2005	2006	2005	2006
	\$	\$	\$	\$	\$	\$
Revenues						
Program Revenues:						
Charges for services	320,184	340,621	59,650	63,689	379,834	404,310
Operating grants & contributions	342,538	375,360	66,228	75,980	408,766	451,340
Capital grants & contributions	15,185	67,642	0	0	15,185	67,642
General Revenues:						
Property taxes	1,188,192	1,350,526	0	0	1,188,192	1,350,526
Income Surtax	70,701	91,176	0	0	70,701	91,176
Local option sales tax	119,160	116,366	0	0	119,160	116,366
Unrestricted state grants	658,635	746,993	0	0	658,635	746,993
Unrestricted investment earnings	7,336	11,755	112	154	7,448	11,909
Other revenue	190	3,582	0	0	190	3,582
Total Revenues	2,722,121	3,104,021	125,990	139,823	2,848,111	3,243,844
Expenses:						
Instruction	1,866,868	1,910,015	0	0	1,866,868	1,910,015
Support services:						
Student and instructional staff	59,856	39,488	0	0	59,856	39,488
Administration	346,578	346,576	0	0	346,578	346,576
Operation and maintenance	229,567	275,600	0	0	229,567	275,600
Transportation	135,268	144,967	0	0	135,268	144,967
Non-instructional programs	0	0	119,218	128,327	119,218	128,327
Other expenditures	169,816	255,049	0	0	169,816	255,049
Total expenses	2,807,953	2,971,695	119,218	128,327	2,927,171	3,100,022
Change in net assets before Transfers	(85,832)	132,326	6,772	11,496	(79,060)	143,822
Transfers	0		0	0	0	0
CHANGE IN NET ASSETS	(85,832)	132,326	6,772	11,496	(79,060)	143,822

Property taxes and unrestricted state grants account for 65% of the total revenues. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,104,021 and the expenses were \$2,971,695. Property taxes increased in fiscal year 2006 because the District started making payments on general obligation bonds that were issued in May 2005.

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

Figure A-5 Total and Net Cost of Governmental Activities

	Total Cost of Services 2006 \$	Total Cost of Services 2005 \$	Net Cost of Services 2006 \$	Net Cost of Services 2005 \$
Instruction	1,910,015	1,866,868	1,277,273	1,320,082
Support Services	806,631	771,269	804,753	736,883
Non-instructional Programs	0	0	0	0
Other Expenses	255,049	169,816	106,046	73,081
TOTAL	2,971,695	2,807,953	2,188,072	2,130,046

The costs financed by the users of the District's programs were \$340,621. The largest items included in charges for services are tuition charged to other schools and revenues from student activities.

Federal and state governments subsidized certain programs with grants and contributions totaling \$443,002. These grants must be used for a specific purpose.

The net cost of governmental activities was financed with \$1,350,526 of property taxes, \$91,176 of income surtaxes, \$116,366 of sales taxes and \$746,993 of unrestricted state aid.

Business Type Activities

The District's business type activities include the School Nutrition Fund. Revenues include charges for services and federal and state reimbursements based on the number of student meals served.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$933,537, \$2,463,150 less than last years ending fund balances of \$3,396,687. This decrease in fund balance is attributable to purchases made with proceeds from general obligation bonds during construction process of the new addition.

Governmental Fund Highlights

The General Fund balance decreased from \$370,418 at June 30, 2005 to \$284,775 at June 30, 2006. General Fund revenues increased substantially, as did expenses. Most of the increased expenses were for salaries and employee benefits. Approximately 80% of General Fund expenses are for salaries and benefits. The Board chose to use carryover fund balance to maintain obligations and student programming.

The Capital Projects Construction Fund is being used to account for the proceeds from and expenditure of the May 2005 \$2,885,000 general obligation bond issue. The bond proceeds were used to construct and equip an addition to the school building.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$4,976 to \$21,321. This is due to the fact that revenues were substantially higher and few expenditures were made from this fund. Expenditures included painting portable classroom, purchase of vaporizer, minor roof repair, repair to walk-in freezer, and repair to outside concession stand.

The Capital Projects Local Option Sales Tax Fund balance increased by \$98,801 to a year-end balance of \$167,863 at year-end. Approximately \$150,000 of this balance is committed for general obligation bond payments in fiscal year 2007.

Balances in the Management Fund and Student Activity Fund remained steady.

Proprietary Fund Highlights

School Nutrition revenues showed no large variation from the prior year. A \$14,000 increase in revenues more than covered a \$9,000 increase in expenses.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. The District did not amend its budget during the year.

During fiscal year 2006, actual revenues were \$102,289 more than the amount budgeted, a variance of 3%.

When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping expenditures in line with revenues as actual revenue accumulates. As a result, the District's certified budget should always exceed the actual expenditures during the year. Total expenditures did not exceed the total budget.

Capital Asset and Debt Administration

By the end of 2006, the District had invested \$2,911,764, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net increase of \$2,487,495 from last year. More detailed information about capital assets can be found in Note 5 to the financial statements.

At June 30, 2006, \$2,561,957 of expenses for building construction had been incurred and \$31,000 was committed to complete construction.

Figure A-6

	Governmental		Business type		Total	
	Activities		Activities		School District	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
Land	17,500	17,500	0	0	17,500	17,500
Construction in progress	2,561,957	29,988	0	0	2,561,957	29,988
Buildings	193,608	220,583	0	0	193,608	220,583
Improvements	5,934	7,068	0	0	5,934	7,068
Equipment & Furniture	115,152	129,456	17,613	19,674	132,765	149,130
TOTAL	2,894,151	404,595	17,613	19,674	2,911,764	424,269

Long-Term Debt

The District's long-term debt consists of \$2,785,000 of general obligation bonds that were issued in May 2005. More detailed information about long-term debt can be found in note 6 to the financial statements.

Factors Bearing on the District's Future

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

- Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund budget.

- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has had and will continue to impact the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Sowers, District Secretary/Treasurer, Nishna Valley Community School District, 58962 380th Street, Hastings, Iowa, 51540.

BASIC FINANCIAL STATEMENTS

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,165,609	30,806	1,196,415
Receivables:			
Property tax:			
Delinquent	26,993	-	26,993
Succeeding year	1,460,896	-	1,460,896
Due from other governments	227,292	-	227,292
Inventories	-	3,543	3,543
Bond issue costs	23,214	-	23,214
Capital assets, net of accumulated depreciation	2,894,151	17,613	2,911,764
Total assets	5,798,155	51,962	5,850,117
Liabilities			
Accounts payable	409,337	-	409,337
Accrued interest payable	21,468	-	21,468
Deferred revenue:			
Succeeding year property tax	1,460,896	-	1,460,896
Other	-	2,025	2,025
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	105,000	-	105,000
Portion due after one year:			
General obligation bonds payable	2,680,000	-	2,680,000
Total liabilities	4,676,701	2,025	4,678,726
Net assets			
Invested in capital assets, net of related debt	502,644	17,613	520,257
Restricted for:			
Iowa early intervention block grant	13,949	-	13,949
Management levy	22,448	-	22,448
Physical plant and equipment levy	21,321	-	21,321
Other special revenue purposes	42,615	-	42,615
Local option sales tax capital projects	167,863	-	167,863
Unrestricted	350,614	32,324	382,938
Total net assets	1,121,454	49,937	1,171,391

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,229,188	198,591	205,698	-
Special instruction	308,410	35,614	38,774	-
Other instruction	372,417	104,538	49,527	-
	<u>1,910,015</u>	<u>338,743</u>	<u>293,999</u>	<u>-</u>
Support services:				
Student services	15,730	-	-	-
Instructional staff services	23,758	-	-	-
Administration services	346,576	-	-	-
Operation and maintenance of plant services	275,600	-	-	-
Transportation services	144,967	1,878	-	-
	<u>806,631</u>	<u>1,878</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	13,354	-	-	67,642
Long-term debt interest	133,166	-	325	-
AEA flowthrough	81,036	-	81,036	-
Depreciation (unallocated)*	27,493	-	-	-
	<u>255,049</u>	<u>-</u>	<u>81,361</u>	<u>67,642</u>
Total governmental activities	2,971,695	340,621	375,360	67,642
Business type activities:				
Non-instructional programs:				
Food service operations	128,327	63,689	75,980	-
Total	3,100,022	404,310	451,340	67,642
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.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(824,899)	-	(824,899)
(234,022)	-	(234,022)
(218,352)	-	(218,352)
<u>(1,277,273)</u>	<u>-</u>	<u>(1,277,273)</u>
(15,730)	-	(15,730)
(23,758)	-	(23,758)
(346,576)	-	(346,576)
(275,600)	-	(275,600)
(143,089)	-	(143,089)
<u>(804,753)</u>	<u>-</u>	<u>(804,753)</u>
54,288	-	54,288
(132,841)	-	(132,841)
-	-	-
(27,493)	-	(27,493)
<u>(106,046)</u>	<u>-</u>	<u>(106,046)</u>
(2,188,072)	-	(2,188,072)
<u>-</u>	<u>11,342</u>	<u>11,342</u>
<u>(2,188,072)</u>	<u>11,342</u>	<u>(2,176,730)</u>
1,106,990	-	1,106,990
214,892	-	214,892
28,644	-	28,644
91,176	-	91,176
116,366	-	116,366
746,993	-	746,993
11,755	154	11,909
3,582	-	3,582
<u>2,320,398</u>	<u>154</u>	<u>2,320,552</u>
132,326	11,496	143,822
989,128	38,441	1,027,569
<u>1,121,454</u>	<u>49,937</u>	<u>1,171,391</u>

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Capital Projects Construction	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	245,793	492,039	229,949	197,828	1,165,609
Receivables:					
Property tax:					
Delinquent	21,927	-	4,294	772	26,993
Succeeding year	1,305,231	-	64,766	90,899	1,460,896
Interfund receivable	-	233,958	737	-	234,695
Due from other governments	171,023	-	-	56,269	227,292
Total assets	1,743,974	725,997	299,746	345,768	3,115,485
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	76,948	331,767	-	622	409,337
Interfund payable	-	737	233,958	-	234,695
Deferred revenue:					
Succeeding year property tax	1,305,231	-	64,766	90,899	1,460,896
Other	77,020	-	-	-	77,020
Total liabilities	1,459,199	332,504	298,724	91,521	2,181,948
Fund balances:					
Reserved for:					
Iowa early intervention block grant	13,949	-	-	-	13,949
Debt service	-	-	1,022	-	1,022
Unreserved reported in:					
General fund	270,826	-	-	-	270,826
Special revenue funds	-	-	-	86,384	86,384
Capital projects funds	-	393,493	-	167,863	561,356
Total fund balances	284,775	393,493	1,022	254,247	933,537
Total liabilities and fund balances	1,743,974	725,997	299,746	345,768	3,115,485

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
Total fund balances of governmental funds (Exhibit C)	933,537
<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.	2,894,151
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	77,020
Bond issue costs are reported as an expense when incurred in the fund financial statements, but are capitalized for the statement of net assets.	23,214
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.	(21,468)
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>(2,785,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>1,121,454</u></u>

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Capital Projects Construction	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,182,244	-	214,918	104,887	1,502,049
Tuition	223,155	-	-	-	223,155
Other	22,905	67,642	325	109,420	200,292
State sources	998,388	-	-	50,127	1,048,515
Federal sources	123,640	-	-	-	123,640
Total revenues	<u>2,550,332</u>	<u>67,642</u>	<u>215,243</u>	<u>264,434</u>	<u>3,097,651</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,226,802	-	-	344	1,227,146
Special instruction	308,410	-	-	-	308,410
Other instruction	275,098	-	-	97,139	372,237
	<u>1,810,310</u>	<u>-</u>	<u>-</u>	<u>97,483</u>	<u>1,907,793</u>
Support services:					
Student services	15,730	-	-	-	15,730
Instructional staff services	22,545	-	-	-	22,545
Administration services	344,598	-	-	-	344,598
Operation and maintenance of plant services	230,278	-	-	43,087	273,365
Transportation services	131,478	-	-	-	131,478
	<u>744,629</u>	<u>-</u>	<u>-</u>	<u>43,087</u>	<u>787,716</u>
Other expenditures:					
Facilities acquisition	-	2,537,569	-	24,865	2,562,434
Long-term debt:					
Principal	-	-	100,000	-	100,000
Interest and fiscal charges	-	-	133,958	-	133,958
AEA flowthrough	81,036	-	-	-	81,036
	<u>81,036</u>	<u>2,537,569</u>	<u>233,958</u>	<u>24,865</u>	<u>2,877,428</u>
Total expenditures	<u>2,635,975</u>	<u>2,537,569</u>	<u>233,958</u>	<u>165,435</u>	<u>5,572,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(85,643)</u>	<u>(2,469,927)</u>	<u>(18,715)</u>	<u>98,999</u>	<u>(2,475,286)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	-	11,011	11,011
Sales of real property	-	-	-	1,125	1,125
Operating transfers in	-	-	19,000	-	19,000
Operating transfers out	-	-	-	(19,000)	(19,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>19,000</u>	<u>(6,864)</u>	<u>12,136</u>
Net change in fund balances	<u>(85,643)</u>	<u>(2,469,927)</u>	<u>285</u>	<u>92,135</u>	<u>(2,463,150)</u>
Fund balances beginning of year	<u>370,418</u>	<u>2,863,420</u>	<u>737</u>	<u>162,112</u>	<u>3,396,687</u>
Fund balances end of year	<u>284,775</u>	<u>393,493</u>	<u>1,022</u>	<u>254,247</u>	<u>933,537</u>

See notes to financial statements.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(2,463,150)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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	2,549,080	
Depreciation expense	<u>(47,397)</u>	2,501,683
A loss was recorded in the Statement of Activities when portable buildings with a basis were disposed of.		
		(12,127)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		
		6,361
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.		
		100,000
Bond issue costs are reported as an expenditure in the fund financial statements, but are capitalized and amortized over the life of the bonds for the Statement of Net Assets and Statement of Activities.		
		(1,233)
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.		
		<u>792</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>132,326</u></u>

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	30,806
Inventories	3,543
Capital assets, net of accumulated depreciation	<u>17,613</u>
Total assets	51,962
Liabilities	
Deferred revenue	<u>2,025</u>
Net assets	
Invested in capital assets, net of related debt	17,613
Unrestricted	<u>32,324</u>
Total net assets	<u><u>49,937</u></u>

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

Year ended June 30, 2006

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>63,689</u>
Operating expenses:	
Non-instructional programs:	
Salaries	42,880
Benefits	5,680
Purchased services	1,870
Supplies	75,756
Depreciation	2,061
Other	80
	<u>128,327</u>
Operating gain (loss)	<u>(64,638)</u>
Non-operating revenue:	
State sources	1,885
Federal sources	74,095
Interest income	154
Total non-operating revenue	<u>76,134</u>
Change in net assets	11,496
Net assets beginning of year	<u>38,441</u>
Net assets end of year	<u><u>49,937</u></u>

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	64,084
Cash payments to employees for services	(48,560)
Cash payments to suppliers for goods or services	(66,331)
Net cash used by operating activities	<u>(50,807)</u>
Cash flows from non-capital financing activities:	
State grants received	1,885
Federal grants received	64,825
Net cash provided by non-capital financing activities	<u>66,710</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>154</u>
Net increase (decrease) in cash and cash equivalents	16,057
Cash and cash equivalents at beginning of year	<u>14,749</u>
Cash and cash equivalents at end of year	<u><u>30,806</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(64,638)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	9,270
Depreciation	2,061
Decrease (increase) in inventories	2,105
(Decrease) increase in deferred revenue	<u>395</u>
Net cash used in operating activities	<u><u>(50,807)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$9,270 of federal commodities.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2006

	<u>Agency</u> \$
Assets	
Cash and pooled investments	950
Liabilities	
Other payables	<u>950</u>
Net Assets	<u><u>-</u></u>

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

1. Summary of Significant Accounting Policies

Nishna Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Hastings and Emerson, Iowa and the predominately agricultural territory in a portion of Mills and Montgomery Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Nishna Valley Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Nishna Valley Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Construction Fund is used to account for general obligation bond proceeds and all resources used in the construction of a school building addition.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

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.

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 investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	2,171

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

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Debt Service Fund	Capital Projects Construction	737
Capital Projects Construction	Debt Service Fund	233,958

\$737 of accrued interest from the bond issue was to be placed in the Debt Service Fund, but was placed in the Capital Projects Construction Fund instead.

The Capital Projects Construction Fund paid a bond payment when it should have been paid from the Debt Service Fund. The correction of the error created the \$233,958 interfund receivable/payable.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	Nonmajor Governmental Funds: Capital Projects Local Option Sales Tax	19,000

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	29,988	2,531,969	-	2,561,957
Land	17,500	-	-	17,500
Total capital assets not being depreciated	47,488	2,531,969	-	2,579,457
Capital assets being depreciated:				
Buildings	1,254,665	11,511	114,139	1,152,037
Improvements other than buildings	254,102	-	-	254,102
Furniture and equipment	520,647	5,600	-	526,247
Total capital assets being deprec.	2,029,414	17,111	114,139	1,932,386
Less accumulated depreciation for:				
Buildings	1,034,082	26,359	102,012	958,429
Improvements other than buildings	247,034	1,134	-	248,168
Furniture and equipment	391,191	19,904	-	411,095
Total accumulated depreciation	1,672,307	47,397	102,012	1,617,692
Total capital assets being depreciated, net	357,107	(30,286)	12,127	314,694
Governmental activities capital assets, net	404,595	2,501,683	12,127	2,894,151

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	99,628	-	-	99,628
Less accumulated depreciation	<u>79,954</u>	<u>2,061</u>	-	<u>82,015</u>
Business type activities capital assets, net	<u>19,674</u>	<u>(2,061)</u>	-	<u>17,613</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	2,042
Other	180
Support Services:	
Instructional staff services	1,213
Administration services	745
Operation and maintenance of plant services	2,235
Transportation	<u>13,489</u>
	19,904
Unallocated depreciation	<u>27,493</u>
Total depreciation expense – governmental activities	<u>47,397</u>
Business type activities:	
Food services	<u>2,061</u>

6. 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	<u>2,885,000</u>	-	<u>100,000</u>	<u>2,785,000</u>	<u>105,000</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May, 2005			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2007	4.75	105,000	128,808	233,808
2008	4.75	105,000	123,820	228,820
2009	4.75	110,000	118,833	228,833
2010	4.75	115,000	113,608	228,608
2011	4.75	120,000	108,145	228,145
2012-2016	4.75-4.20	670,000	450,825	1,120,825
2017-2021	4.30-4.60	795,000	291,393	1,086,393
2022-2024	4.65-4.75	<u>765,000</u>	<u>92,683</u>	<u>857,683</u>
		<u>2,785,000</u>	<u>1,428,115</u>	<u>4,213,115</u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 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 \$86,402, \$85,203 and \$93,131 respectively, equal to the required contributions for each year.

8. 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.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$81,036 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.

10. Commitments

The District has entered into a contract totaling \$2,312,169 for building construction. As of June 30, 2006 costs of \$2,280,854 had been incurred against the contract. The balance remaining at June 30, 2006 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

NISHNA 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	1,925,496	63,843	1,989,339	1,911,392	1,911,392	77,947
Intermediate sources	-	-	-	65,000	65,000	(65,000)
State sources	1,048,515	1,885	1,050,400	993,498	993,498	56,902
Federal sources	123,640	74,095	197,735	165,295	165,295	32,440
Total revenues	<u>3,097,651</u>	<u>139,823</u>	<u>3,237,474</u>	<u>3,135,185</u>	<u>3,135,185</u>	<u>102,289</u>
Expenditures:						
Instruction	1,907,793	-	1,907,793	2,039,267	2,039,267	131,474
Support services	787,716	-	787,716	1,120,814	1,120,814	333,098
Non-instructional programs	-	128,327	128,327	155,628	155,628	27,301
Other expenditures	2,877,428	-	2,877,428	3,291,118	3,291,118	413,690
Total expenditures	<u>5,572,937</u>	<u>128,327</u>	<u>5,701,264</u>	<u>6,606,827</u>	<u>6,606,827</u>	<u>905,563</u>
Excess (deficiency) of revenues over (under) expenditures	(2,475,286)	11,496	(2,463,790)	(3,471,642)	(3,471,642)	1,007,852
Other financing sources (uses) net	<u>12,136</u>	<u>-</u>	<u>12,136</u>	<u>-</u>	<u>-</u>	<u>12,136</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(2,463,150)	11,496	(2,451,654)	(3,471,642)	(3,471,642)	1,019,988
Balance beginning of year	<u>3,396,687</u>	<u>38,441</u>	<u>3,435,128</u>	<u>3,471,642</u>	<u>3,471,642</u>	<u>(36,514)</u>
Balance end of year	<u>933,537</u>	<u>49,937</u>	<u>983,474</u>	<u>-</u>	<u>-</u>	<u>983,474</u>

NISHNA 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. The District did not amend its budget during the year.

OTHER SUPPLEMENTARY INFORMATION

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds			Capital Projects	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	
Cash and pooled investments	22,248	43,237	20,749	111,594	197,828
Receivables:					
Property tax:					
Delinquent	200	-	572	-	772
Succeeding year	60,000	-	30,899	-	90,899
Due from other governments	-	-	-	56,269	56,269
Total assets	82,448	43,237	52,220	167,863	345,768
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	622	-	-	622
Deferred revenue:					
Succeeding year property tax	60,000	-	30,899	-	90,899
Total liabilities	60,000	622	30,899	-	91,521
Fund balances:					
Unreserved reported in:					
Special revenue funds	22,448	42,615	21,321	-	86,384
Capital projects funds	-	-	-	167,863	167,863
Total fund balances	22,448	42,615	21,321	167,863	254,247
Total liabilities and fund balances	82,448	43,237	52,220	167,863	345,768

NISHNA 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	Total
	Management	Student	Physical	Local	
	Levy	Activity	Plant and	Option	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	9,996	-	28,652	66,239	104,887
Other	3,506	104,027	452	1,435	109,420
State sources	-	-	-	50,127	50,127
Total revenues	<u>13,502</u>	<u>104,027</u>	<u>29,104</u>	<u>117,801</u>	<u>264,434</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	344	-	-	-	344
Other instruction	-	97,139	-	-	97,139
Operation and maintenance of plant services	43,087	-	-	-	43,087
Other expenditures:					
Facilities acquisition	-	-	24,865	-	24,865
Total expenditures	<u>43,431</u>	<u>97,139</u>	<u>24,865</u>	<u>-</u>	<u>165,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,929)</u>	<u>6,888</u>	<u>4,239</u>	<u>117,801</u>	<u>98,999</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	11,011	-	11,011
Sales of real property	-	-	1,125	-	1,125
Operating transfers out	-	-	-	(19,000)	(19,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12,136</u>	<u>(19,000)</u>	<u>(6,864)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,929)</u>	<u>6,888</u>	<u>16,375</u>	<u>98,801</u>	<u>92,135</u>
Fund balances beginning of year	<u>52,377</u>	<u>35,727</u>	<u>4,946</u>	<u>69,062</u>	<u>162,112</u>
Fund balances end of year	<u><u>22,448</u></u>	<u><u>42,615</u></u>	<u><u>21,321</u></u>	<u><u>167,863</u></u>	<u><u>254,247</u></u>

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
Interest	537	167	-	704
Drama - HS	1,043	200	666	577
Drama - JH	88	-	-	88
Instrumental music	56	6,680	5,928	808
Band trip	32	-	-	32
Vocal music	(144)	-	124	(268)
Musical	972	1,877	1,705	1,144
Fiesta bowl	34	-	-	34
Golf	78	-	-	78
Annual	(1,173)	10,274	5,541	3,560
Art	553	-	-	553
JH cheerleaders	49	-	-	49
National Honor Society	488	733	630	591
Cheerleading	515	2,553	2,262	806
Home economics	(160)	-	229	(389)
HOSA	38	11,902	14,528	(2,588)
Secondary fundraiser	2,695	1,961	1,730	2,926
Library club	476	1,828	1,782	522
Class of 2001	348	-	355	(7)
Class of 2002	228	-	-	228
Class of 2003	322	-	-	322
Class of 2005	1,011	-	550	461
Class of 2006	3,055	5,626	8,580	101
Class of 2007	2,060	9,335	8,397	2,998
Class of 2008	178	1,672	-	1,850
Class of 2009	-	183	15	168
Class of 2010	30	163	-	193
Girls basketball camp	339	-	-	339
Volleyball camp	319	-	-	319
Concessions	4,437	8,178	4,649	7,966
Athletics	3,656	10,026	13,039	643
Industrial arts	1,035	-	-	1,035
Student council	1,635	2,916	887	3,664
Science club	21	-	-	21
Elementary fundraiser	1,365	13,713	6,631	8,447
Boys basketball	4,018	2,248	2,021	4,245
Football lights	240	-	-	240
Boys football	3,984	2,877	3,125	3,736
Weightlifting	508	-	-	508
Boys baseball	-	-	245	(245)
Boys track	210	138	1,461	(1,113)
Wrestling	14	-	-	14
Girls basketball	2,867	3,543	3,372	3,038
Girls volleyball	(432)	1,385	2,100	(1,147)
Girls softball	(1,724)	1,244	1,567	(2,047)
Girls track	(174)	2,605	5,020	(2,589)
Total	35,727	104,027	97,139	42,615

See accompanying independent auditor's report.

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

Year ended June 30, 2006

	<u>Faculty Fund</u> \$
Balance beginning of year	745
Additions:	
Collections	1,219
Deductions:	
Miscellaneous	1,014
Balance end of year	<u><u>950</u></u>

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,502,049	1,384,584	1,467,845	1,281,236
Tuition	223,155	199,949	150,922	201,148
Other	200,292	142,756	143,378	149,884
State sources	1,048,515	896,967	717,555	880,470
Federal sources	123,640	103,469	106,562	99,084
Total revenues	<u>3,097,651</u>	<u>2,727,725</u>	<u>2,586,262</u>	<u>2,611,822</u>
Expenditures:				
Instruction:				
Regular instruction	1,227,146	1,165,363	1,078,537	1,124,879
Special instruction	308,410	445,693	398,733	357,664
Other instruction	372,237	256,587	254,211	252,057
Support services:				
Student services	15,730	13,392	17,465	13,768
Instructional staff services	22,545	45,251	42,566	32,567
Administration services	344,598	345,628	343,749	370,418
Operation and maintenance of plant services	273,365	227,501	214,761	183,148
Transportation services	131,478	135,548	133,658	88,619
Non-instructional programs	-	-	3,348	-
Other expenditures:				
Facilities acquisition	2,562,434	142,969	55,382	45,427
Long-term debt:				
Principal	100,000	-	-	-
Interest and other charges	133,958	-	-	-
AEA flowthrough	81,036	80,813	80,500	88,733
Total expenditures	<u>5,572,937</u>	<u>2,858,745</u>	<u>2,622,910</u>	<u>2,557,280</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
Nishna Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nishna Valley Community School District 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 August 15, 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 Nishna 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 items 06-I-A, 06-I-B and 06-I-C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nishna Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 Nishna Valley Community School District and other parties to whom Nishna 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 Nishna Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

August 15, 2006

NISHNA 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 increase monitoring procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion: Response accepted.

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

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

District Response: Monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

06-I-C Accounting Records: During the course of our audit we noted numerous errors in the accounting records which resulted in many audit adjustments. Material errors are listed below:

1. May and June 2006 receipts were not recorded in the accounting records until August 2006.
2. Two other monthly receipts for local option sales tax were not recorded.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements (continued):

3. The purchase of a Capital Projects Local Option Sales Tax Fund certificate of deposit for \$51,633 was not recorded.
4. Over \$81,000 of interest income received in the Capital Projects Construction Fund was not recorded.
5. \$233,958 of bond and interest payments were made from the Capital Projects Construction Fund, but should have been paid from the Debt Service Fund.
6. The Internal Revenue Service had a \$5,183 levy on the District's General Fund bank account due to unresolved discrepancies with payroll tax payments.
7. The June 30, 2006 list of outstanding checks was over stated by approximately \$77,000, due to items that had gone through the bank, but were still on the outstanding list.

The completion of monthly bank reconciliations for every bank account would have revealed many of these errors.

Recommendation: The District should implement procedures to make sure that all financial transactions are posted to the accounting records in a timely manner, bank reconciliations are completed on a monthly basis and that any notices from the Internal Revenue Service are reviewed and responded to immediately. The board of directors should receive monthly financial statements that include revenues, expenditures, cash balances and copies of bank reconciliations.

District Response: We have hired an additional person to assist with monthly accounting and to prepare the bank reconciliations.

Conclusion: Response accepted.

NISHNA 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 did not exceed the amounts budgeted.

06-II-B Questionable Expenditures: During our testing of expenditures, we noted that, in June 2006, the District paid \$134 for lunches for summer employees. These meal purchases may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation: The board should document the public purpose served by purchasing lunches for employees working at the school in the summer.

District Response: We will review this practice and document the public purpose if it is continued.

Conclusion: Response accepted.

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 business 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: The code of Iowa required that board meeting minutes be published within two weeks of the meeting. We noted that the minutes for three meetings in September 2005 were not published; that the December 2005, January and February 2006 minutes were not published until May 2006; and that the minutes for April, May and June 2006 were not published until August 2006.

We also noted that the minutes indicated that the board approved a list of monthly bills, the list, however, was not included as part of the official minutes.

The minutes from March 2006 through June 2006 had not been signed.

Recommendation: All board meeting minutes should be published within two weeks of the meetings; all lists of approved bills should be a part of the official minutes and all minutes should be signed upon approval by the board at the following meeting.

District Response: We will change our procedures to follow the above recommendations.

Conclusion: Response accepted.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

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

06-II-G Certified Enrollment: Line 1 of the September 2005 Certified Enrollment was understated by one special education preschool student. Also, the calculation of supplemental weighting included six open enrollment in students.

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.

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 Certified Annual Report was not due yet at the date of our audit.

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

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

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

Conclusion: Response accepted.

06-II-K Deficit Balances: The Student Activity Fund has several 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.

06-II-L Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$10,300 of old outstanding checks. Iowa Code Section 566 specifies that holders of unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

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

outstanding checks. The District should search for the owners of all other outstanding checks, and then reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

District Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

06-II-M Physical Plant and Equipment Levy Fund: Chapter 283.6 of the Code of Iowa specifies the types of expenditures that may be paid with the Physical Plant and Equipment Levy (PPEL). PPEL may be used to purchase or improve grounds, for construction, for the purchase, lease, or lease-purchase of a single unit of equipment or technology exceeding \$500 per unit, to repair and remodel buildings, and to purchase buildings.

We noted a \$1,040 payment from the PPEL Fund for bus repairs. Equipment repairs are not an allowable PPEL expenditure.

Recommendation: The District should have its General Fund reimburse the PPEL Fund for the repairs.

District Response: We will make the reimbursement.

Conclusion: Response accepted.

06-II-N Construction Contract Change Orders: We noted that the Board of Directors did not approve change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.

06-II-O Payroll Tax Reporting: We noted that the Form 941 for September 2005 had not been filed with the Internal Revenue Service. The form was due on October 31, 2005. The Internal Revenue Service may assess penalties for late filing. It did appear that the payroll taxes for the quarter ending September 30, 2005 had been paid.

Recommendation: This form should be filed immediately. The board should implement procedures to ensure that future reports are filed by the due dates.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

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

District Response: We will file the form and review our procedures for preparing and filing the payroll tax reports.

Conclusion: Response accepted.