

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District as of June 30, 2007, 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 reports dated April 11, 2008, 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 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, 2006, (which are presented herein) and expressed unqualified opinions on those financial statements. 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

April 11, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nodaway Valley CSD 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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,916,058 in fiscal 2006 to \$5,964,323 in fiscal 2007, while General Fund expenditures increased from \$5,652,783 in fiscal 2006 to \$6,056,224 in fiscal 2007. The District's General Fund balance decreased from \$1,047,900 in fiscal 2006 to \$957,813 in fiscal 2007, a 9% decrease 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 2007. The increase in expenditures was due primarily to increased salaries and benefits and energy costs.

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 District 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.

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

Figure A-1
Nodaway Valley Community School District Annual Financial Report

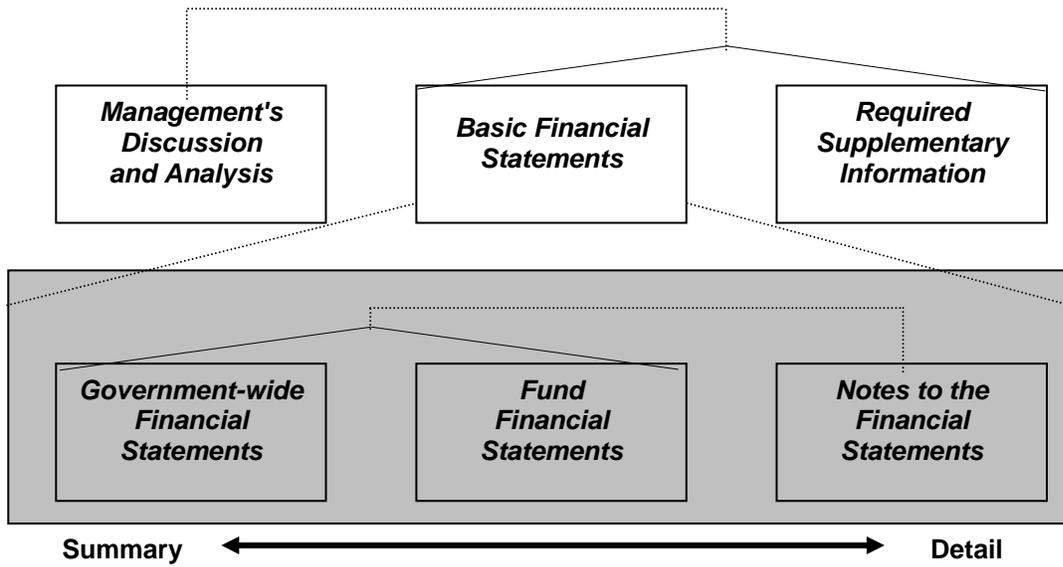


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, 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 Funds.

- Private Purpose Trust Funds – 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, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2006	2007	2006	2007	2006	2007	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,437,222	4,163,313	25,969	4,665	5,463,191	4,167,978	-24%
Capital assets	5,639,216	5,618,929	37,211	38,872	5,676,427	5,657,801	-1%
Total assets	11,076,438	9,782,242	63,180	43,537	11,139,618	9,825,779	-12%
Long-term liabilities	3,455,000	1,805,000	-	-	3,455,000	1,805,000	-48%
Other liabilities	2,486,791	2,528,123	4,876	10,074	2,491,667	2,538,197	2%
Total liabilities	5,941,791	4,333,123	4,414	10,074	5,946,667	4,343,197	-27%
Net Assets:							
Invested in capital assets, net of related debt	3,519,216	3,813,929	37,211	38,872	3,556,427	3,852,801	8%
Restricted	448,300	555,483	-	-	448,300	555,483	24%
Unrestricted	1,167,131	1,079,707	21,093	(5,409)	1,188,224	1,074,298	-10%
TOTAL NET ASSETS	5,134,647	5,449,119	58,304	33,463	5,192,951	5,482,582	6%

The District's combined net assets increased by nearly 6%, or approximately \$289,631, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$107,183 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 – decreased approximately \$113,926.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	
Revenues							
Program Revenues:							
Charges for services	439,898	353,594	174,458	186,529	614,356	540,123	-12%
Operating grants & contributions	787,344	824,807	141,314	150,338	928,658	975,145	5%
Capital grants & contributions	67,614	-	-	-	67,614	-	-100%
General Revenues:							
Property taxes	2,398,247	2,449,410	-	-	2,398,247	2,449,410	2%
Income Surtax	160,385	166,779	-	-	160,385	166,779	4%
Local option sales tax	366,822	418,842	-	-	366,822	418,842	14%
Unrestricted state grants	2,892,812	2,857,799	-	-	2,892,812	2,857,799	-1%
Unrestricted investment earnings	45,202	61,080	330	159	45,532	61,239	35%
Other revenue	74,376	48,733	-	-	74,376	48,733	-35%
Total Revenues	7,232,700	7,181,044	316,102	337,026	7,548,802	7,518,070	-1%
Expenses:							
Instruction	3,758,372	4,070,867	-	-	3,758,372	4,070,867	8%
Support services	1,791,004	2,164,594	-	-	1,791,004	2,164,594	21%
Non-instructional programs	2,492	2,764	338,121	377,949	340,613	380,713	12%
Other expenditures	551,231	612,265	-	-	551,231	612,265	11%
Total expenses	6,103,099	6,850,490	338,121	377,949	6,441,220	7,228,439	12%
Change in net assets before transfers	1,129,601	330,554	(22,019)	(40,923)	1,107,582	289,631	-74%
Transfers	-	(16,082)	-	16,082	-	-	0%
CHANGE IN NET ASSETS	1,129,601	314,472	(22,019)	(24,841)	1,107,582	289,631	-74%
Net assets beginning of year	4,005,046	5,134,647	80,323	58,304	4,085,369	5,192,951	27%
Net assets end of year	5,134,647	5,449,119	58,304	33,463	5,192,951	5,482,582	6%

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,181,044 and expenses were \$6,850,490.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2006 \$	Total Cost of Services 2007 \$	Net Cost of Services 2006 \$	Net Cost of Services 2007 \$
Instruction	3,758,372	4,070,867	2,902,645	3,227,328
Support Services	1,791,004	2,164,594	1,691,272	2,121,490
Non-instructional Programs	2,492	2,764	2,492	2,764
Other Expenses	551,231	612,265	211,834	320,507
TOTAL	6,103,099	6,850,490	4,808,243	5,672,089

- The cost financed by users of the District’s programs was \$353,594.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$824,807.
- The net cost of governmental activities was financed with \$3,035,031 in property and other taxes and \$2,857,799 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$337,026 and expenses were \$377,949. 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 \$1,478,250, a decrease of \$1,331,254 below last year’s ending fund balances of \$2,809,504.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Expenditures were \$403,441 more in 2007 than in 2006, revenues were \$91,901 less than expenditures.
- The General Fund balance decreased from \$1,047,900 to \$957,813.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$109,060 in fiscal 2006 to \$100,874 in fiscal 2007, a change of \$8,186.
- The Debt Service Fund balance decreased \$1,296,890 in 2007. The District ended fiscal 2007 with a balance of \$64,117. The Debt Service Fund balance changes were due to refunding of bonds.
- 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. Fund balance at the end of fiscal year 2007 was \$232,025. The change in fund balance was due to the completion of the track and bleachers the previous year. The district has contracted with Energy Services Group to conduct an energy survey and make recommendations.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$58,304 at June 30, 2006 to \$33,463 at June 30, 2007, representing a decrease of approximately 43%. A 6% increase in sales and an increase of 11% in expenditures account for the change.

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

BUDGETARY HIGHLIGHTS

The District's budget was amended due to the refunding of bonds.

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, 2007, the District had invested \$5,657,801, 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 \$276,141.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2006
	2006	2007	2006	2007	2006	2007	
	\$	\$	\$	\$	\$	\$	
Land	38,401	38,401	-	-	38,401	38,401	0%
Buildings	4,760,822	4,610,931	-	-	4,760,822	4,610,931	-3%
Improvements	342,464	319,634	-	-	342,464	319,634	-7%
Equipment & Furniture	497,529	649,963	37,211	38,872	534,740	688,835	29%
TOTAL	5,639,216	5,618,929	37,211	38,872	5,676,427	5,657,801	-1%

Long-Term Debt

At June 30, 2007, the District had \$1,805,000 in general obligation bonds outstanding. This represents a decrease of approximately 48% from last year. (See Figure A-7)

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

	Total School District		Percentage Change 2006-2007
	2006	2007	
	\$	\$	
General Obligation Bonds	3,455,000	1,805,000	-48%

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 2006 enrollment increased by 7 students. The District's September 2007 enrollment decreased by 25 students.
- The District will be able to do major infrastructure repairs and replacement due to the local option sales tax. Energy Services Group has been contracted to conduct an energy audit and make recommendations.
- 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 Sharon Cox, 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, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,380,494	-	1,380,494
Receivables:			
Property tax:			
Delinquent	38,632	-	38,632
Succeeding year	2,464,474	-	2,464,474
Accounts	2,766	1,395	4,161
Due from other governments	276,947	-	276,947
Inventories	-	3,270	3,270
Capital assets, net of accumulated depreciation	5,618,929	38,872	5,657,801
Total assets	9,782,242	43,537	9,825,779
Liabilities			
Excess of warrants over bank balance	-	3,828	3,828
Accounts payable	30,705	150	30,855
Salaries and benefits payable	28,107	593	28,700
Accrued interest payable	4,837	-	4,837
Deferred revenue:			
Succeeding year property tax	2,464,474	-	2,464,474
Other	-	5,503	5,503
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	365,000	-	365,000
Portion due after one year:			
General obligation bonds payable	1,440,000	-	1,440,000
Total liabilities	4,333,123	10,074	4,343,197
Net assets			
Invested in capital assets, net of related debt	3,813,929	38,872	3,852,801
Restricted for:			
State categorical aid	39,883	-	39,883
Management levy	107,268	-	107,268
Physical plant and equipment levy	100,874	-	100,874
Other special revenue purposes	16,153	-	16,153
Local option sales tax capital projects	232,025	-	232,025
Debt service	59,280	-	59,280
Unrestricted	1,079,707	(5,409)	1,074,298
Total net assets	5,449,119	33,463	5,482,582

Nodaway Valley Community School District

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,305,640	151,740	354,556	-
Special	818,833	23,029	43,889	-
Other	946,394	169,198	101,127	-
	<u>4,070,867</u>	<u>343,967</u>	<u>499,572</u>	<u>-</u>
Support services:				
Student	75,520	-	-	-
Instructional staff	247,715	-	32,757	-
Administration	785,713	-	-	-
Operation and maintenance of plant	677,969	2,546	-	-
Transportation	377,677	7,081	720	-
	<u>2,164,594</u>	<u>9,627</u>	<u>33,477</u>	<u>-</u>
Non-instructional programs	<u>2,764</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	67,423	-	-	-
Long-term debt interest	122,815	-	49,358	-
AEA flowthrough	242,400	-	242,400	-
Depreciation (unallocated)*	179,627	-	-	-
	<u>612,265</u>	<u>-</u>	<u>291,758</u>	<u>-</u>
Total governmental activities	<u>6,850,490</u>	<u>353,594</u>	<u>824,807</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	377,949	186,529	150,338	-
	<u>377,949</u>	<u>186,529</u>	<u>150,338</u>	<u>-</u>
Total	<u>7,228,439</u>	<u>540,123</u>	<u>975,145</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

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

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,799,344)	-	(1,799,344)
(751,915)	-	(751,915)
(676,069)	-	(676,069)
<u>(3,227,328)</u>	<u>-</u>	<u>(3,227,328)</u>
(75,520)	-	(75,520)
(214,958)	-	(214,958)
(785,713)	-	(785,713)
(675,423)	-	(675,423)
(369,876)	-	(369,876)
<u>(2,121,490)</u>	<u>-</u>	<u>(2,121,490)</u>
<u>(2,764)</u>	<u>-</u>	<u>(2,764)</u>
(67,423)	-	(67,423)
(73,457)	-	(73,457)
-	-	-
<u>(179,627)</u>	<u>-</u>	<u>(179,627)</u>
<u>(320,507)</u>	<u>-</u>	<u>(320,507)</u>
<u>(5,672,089)</u>	<u>-</u>	<u>(5,672,089)</u>
<u>-</u>	<u>(41,082)</u>	<u>(41,082)</u>
<u>(5,672,089)</u>	<u>(41,082)</u>	<u>(5,713,171)</u>
2,059,293	-	2,059,293
332,364	-	332,364
57,753	-	57,753
166,779	-	166,779
418,842	-	418,842
2,857,799	-	2,857,799
61,080	159	61,239
48,733	-	48,733
6,002,643	159	6,002,802
<u>(16,082)</u>	<u>16,082</u>	<u>-</u>
<u>5,986,561</u>	<u>16,241</u>	<u>6,002,802</u>
314,472	(24,841)	289,631
<u>5,134,647</u>	<u>58,304</u>	<u>5,192,951</u>
<u>5,449,119</u>	<u>33,463</u>	<u>5,482,582</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	938,417	58,971	378,829	1,376,217
Receivables:				
Property tax:				
Delinquent	30,849	5,146	2,637	38,632
Succeeding year	1,861,560	423,832	179,082	2,464,474
Accounts	1,082	-	1,684	2,766
Due from other governments	199,639	-	77,308	276,947
Total assets	<u>3,031,547</u>	<u>487,949</u>	<u>639,540</u>	<u>4,159,036</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	26,567	-	4,138	30,705
Salaries and benefits payable	28,107	-	-	28,107
Deferred revenue:				
Succeeding year property tax	1,861,560	423,832	179,082	2,464,474
Other	157,500	-	-	157,500
Total liabilities	<u>2,073,734</u>	<u>423,832</u>	<u>183,220</u>	<u>2,680,786</u>
Fund balances:				
Reserved for:				
State categorical aid	39,883	-	-	39,883
Debt service	-	64,117	-	64,117
Unreserved reported in:				
General fund	917,930	-	-	917,930
Special revenue funds	-	-	224,295	224,295
Capital projects funds	-	-	232,025	232,025
Total fund balances	<u>957,813</u>	<u>64,117</u>	<u>456,320</u>	<u>#VALUE!</u>
Total liabilities and fund balances	<u>3,031,547</u>	<u>487,949</u>	<u>639,540</u>	<u>#VALUE!</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

\$

Total fund balances of governmental funds (Exhibit C)	1,478,250
--	-----------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,618,929
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	157,500
---	---------

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.	(4,837)
--	---------

An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program (and/or employee flexible benefit program) to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	4,277
--	-------

Long-term liabilities, including bonds payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,805,000)</u>
--	--------------------

Net assets of governmental activities (Exhibit A)	<u><u>5,449,119</u></u>
--	-------------------------

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,106,711	332,364	586,677	3,025,752
Tuition	157,706	-	-	157,706
Other	78,842	49,358	225,045	353,245
State sources	3,434,706	-	12,184	3,446,890
Federal sources	186,358	-	-	186,358
Total revenues	<u>5,964,323</u>	<u>381,722</u>	<u>823,906</u>	<u>7,169,951</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,290,783	-	12,958	2,303,741
Special	817,912	-	921	818,833
Other	712,712	-	230,400	943,112
	<u>3,821,407</u>	<u>-</u>	<u>244,279</u>	<u>4,065,686</u>
Support services:				
Student	74,906	-	614	75,520
Instructional staff	219,139	-	28,576	247,715
Administration	787,500	-	19,512	807,012
Operation and maintenance of plant	619,183	-	49,455	668,638
Transportation	291,689	-	191,976	483,665
	<u>1,992,417</u>	<u>-</u>	<u>290,133</u>	<u>2,282,550</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>2,764</u>	<u>2,764</u>
Other expenditures:				
Facilities acquisition	-	-	114,925	114,925
Long-term debt:				
Principal	-	1,650,000	-	1,650,000
Interest and fiscal charges	-	128,612	-	128,612
AEA flowthrough	242,400	-	-	242,400
	<u>242,400</u>	<u>1,778,612</u>	<u>114,925</u>	<u>2,135,937</u>
Total expenditures	<u>6,056,224</u>	<u>1,778,612</u>	<u>652,101</u>	<u>8,486,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,901)</u>	<u>(1,396,890)</u>	<u>171,805</u>	<u>(1,316,986)</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	1,263	-	-	1,263
Sales of materials and equipment	551	-	-	551
Operating transfers in	-	100,000	-	100,000
Operating transfers out	-	-	(116,082)	(116,082)
Total other financing sources (uses)	<u>1,814</u>	<u>100,000</u>	<u>(116,082)</u>	<u>(14,268)</u>
Net change in fund balances	(90,087)	(1,296,890)	55,723	(1,331,254)
Fund balances beginning of year	<u>1,047,900</u>	<u>1,361,007</u>	<u>400,597</u>	<u>2,809,504</u>
Fund balances end of year	<u><u>957,813</u></u>	<u><u>64,117</u></u>	<u><u>456,320</u></u>	<u><u>1,478,250</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, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(1,331,254)

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

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

Expenditures for capital assets	248,371	
Depreciation expense	<u>(268,658)</u>	(20,287)

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.

9,279

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

1,650,000

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.

5,797

An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

937**Changes in net assets of governmental activities (Exhibit B)**314,472

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Assets		
Cash and cash equivalents	-	4,277
Accounts receivable	1,395	-
Inventories	3,270	-
Capital assets, net of accumulated depreciation	38,872	-
Total assets	<u>43,537</u>	<u>4,277</u>
Liabilities		
Excess of warrants over bank balance	3,828	-
Accounts payable	150	-
Salaries and benefits payable	593	-
Deferred revenue	5,503	-
Total liabilities	<u>10,074</u>	<u>-</u>
Net assets		
Invested in capital assets, net of related debt	38,872	-
Unrestricted	(5,409)	4,277
Total net assets	<u><u>33,463</u></u>	<u><u>4,277</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor School Nutrition <u> </u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Operating revenues:		
Local sources:		
Charges for service	186,529	16,593
Operating expenses:		
Non-instructional programs:		
Salaries	132,827	-
Benefits	23,342	15,656
Purchased services	10,796	-
Supplies	202,837	-
Depreciation	7,483	-
Other	664	-
	<u>377,949</u>	<u>15,656</u>
Operating gain (loss)	<u>(191,420)</u>	<u>937</u>
Non-operating revenues:		
State sources	4,483	-
Federal sources	145,855	-
Interest income	159	-
Total non-operating revenues	<u>150,497</u>	<u>-</u>
Gain (loss) before contributions and transfers	(40,923)	937
Transfers in	<u>16,082</u>	<u>-</u>
Change in net assets	(24,841)	937
Net assets beginning of year	<u>58,304</u>	<u>3,340</u>
Net assets end of year	<u><u>33,463</u></u>	<u><u>4,277</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	186,558	-
Cash received from other funds	-	16,593
Cash payments to employees for services	(156,302)	-
Cash payments to suppliers for goods or services	(197,193)	(15,656)
Net cash used by operating activities	<u>(166,937)</u>	<u>937</u>
Cash flows from non-capital financing activities:		
State grants received	4,483	-
Federal grants received	129,497	-
Net cash provided by non-capital financing activities	<u>133,980</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Transfers from other funds	16,082	-
Acquisition of capital assets	(9,809)	-
Net cash used by capital and related financing activities	<u>6,273</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	159	-
Net increase (decrease) in cash and cash equivalents	(26,525)	937
Cash and cash equivalents at beginning of year	<u>22,697</u>	<u>3,340</u>
Cash and cash equivalents at end of year	<u>(3,828)</u>	<u>4,277</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(191,420)	937
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Loss on disposal equipment	665	-
Commodities used	16,358	-
Depreciation	7,483	-
Decrease (increase) in inventories	(69)	-
Decrease (increase) in accounts receivable	(1,324)	-
(Decrease) increase in accounts payable	150	-
(Decrease) increase in salaries and benefits payable	(133)	-
(Decrease) increase in deferred revenue	1,353	-
Net cash used in operating activities	<u>(166,937)</u>	<u>937</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$16,358 of federal commodities.

See notes to financial statements.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	58
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>58</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	200
Interest	3
Total additions	<u>203</u>
Deductions:	
Support services:	
Scholarships awarded	<u>200</u>
Change in net assets	3
Net assets beginning of year	<u>55</u>
Net assets end of year	<u><u>58</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which 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 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general 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 non-operating 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 non-operating 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 financial statements:

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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 Life</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 receivables 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 not available for appropriation or 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 are 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, 2007, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	\$
Diversified Portfolio	<u>1,333</u>

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 Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	100,000
Nonmajor Enterprise: School Nutrition Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	16,082

These transfers moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Land	38,401	-	-	38,401
Capital assets being depreciated:				
Buildings	7,321,874	4,200	-	7,326,074
Improvements other than buildings	545,890	-	-	545,890
Furniture and equipment	1,137,638	236,886	34,617	1,339,907
Total capital assets being deprec.	9,005,402	241,086	34,617	9,211,871
Less accumulated depreciation for:				
Buildings	2,561,052	154,091	-	2,715,143
Improvements other than buildings	203,426	22,830	-	226,256
Furniture and equipment	640,109	91,737	41,902	689,944
Total accumulated depreciation	3,404,587	268,658	41,902	3,631,343
Total capital assets being depreciated, net	5,600,815	(27,572)	(7,285)	5,580,528
Governmental activities capital assets, net	5,639,216	(27,572)	(7,285)	5,618,929
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	167,481	9,809	2,608	174,682
Less accumulated depreciation	130,270	7,483	1,943	135,810
Business type activities capital assets, net	37,211	2,326	665	38,872

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	2,836
Other	3,282
Support services:	
Administration	455
Operation and maintenance of plant services	18,446
Transportation	<u>64,012</u>
	89,031
Unallocated depreciation	<u>179,627</u>
 Total depreciation expense – governmental activities	 <u>268,658</u>
 Business type activities:	
Food services	<u>7,483</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	<u>3,455,000</u>	-	<u>1,650,000</u>	<u>1,805,000</u>	<u>365,000</u>

Termination Benefits

At June 30, 2007, the District had no early retirement liability.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	<u>Greenfield April, 2004 Refunding</u>			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	2.300	255,000	11,348	266,348
2009	2.550	<u>215,000</u>	<u>5,482</u>	<u>220,482</u>
		<u>470,000</u>	<u>16,830</u>	<u>486,830</u>

Bridgewater-Fontanelle 2005 Refunding Bond Issue

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	3.4	125,000	31,909	156,909
2013-2017	3.5-3.875	635,000	92,385	727,385
2018	4.0	105,000	4,200	109,200
Total		<u>1,335,000</u>	<u>294,525</u>	<u>1,629,525</u>

6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that 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 salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$219,252, \$209,387, and \$206,212 respectively, equal to the required contributions for each year.

7. 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.

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$242,400 for the year ended June 30, 2007 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, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,536,703	186,688	3,723,391	3,668,641	3,668,641	54,750
Intermediate sources	-	-	-	479,892	479,892	(479,892)
State sources	3,446,890	4,483	3,451,373	3,480,298	3,480,298	(28,925)
Federal sources	186,358	145,855	332,213	338,000	338,000	(5,787)
Total revenues	<u>7,169,951</u>	<u>337,026</u>	<u>7,506,977</u>	<u>7,966,831</u>	<u>7,966,831</u>	<u>(459,854)</u>
Expenditures:						
Instruction	4,065,686	-	4,065,686	5,125,252	4,879,231	813,545
Support services	2,282,550	-	2,282,550	2,253,979	2,500,000	217,450
Non-instructional programs	2,764	377,949	380,713	510,326	510,326	129,613
Other expenditures	<u>2,135,937</u>	<u>-</u>	<u>2,135,937</u>	<u>1,153,518</u>	<u>2,588,979</u>	<u>453,042</u>
Total expenditures	<u>8,486,937</u>	<u>377,949</u>	<u>8,864,886</u>	<u>9,043,075</u>	<u>10,478,536</u>	<u>1,613,650</u>
Excess (deficiency) of revenues over (under) expenditures	(1,316,986)	(40,923)	(1,357,909)	(1,076,244)	(2,511,705)	1,153,796
Other financing sources (uses) net	<u>(14,268)</u>	<u>16,082</u>	<u>1,814</u>	<u>600</u>	<u>600</u>	<u>1,214</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(1,331,254)	(24,841)	(1,356,095)	(1,075,644)	(2,511,105)	1,155,010
Balance beginning of year	<u>2,809,504</u>	<u>58,304</u>	<u>2,867,808</u>	<u>2,337,128</u>	<u>2,337,128</u>	<u>530,680</u>
Balance end of year	<u>1,478,250</u>	<u>33,463</u>	<u>1,511,713</u>	<u>1,261,484</u>	<u>(173,977)</u>	<u>1,685,690</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 function level, not by the fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,435,461.

OTHER SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales and Services Tax	
	\$	\$	\$	\$	
Cash and pooled investments	105,527	14,776	103,809	154,717	378,829
Receivables:					
Property tax:					
Delinquent	1,741	-	896	-	2,637
Succeeding year	121,000	-	58,082	-	179,082
Accounts	-	1,684	-	-	1,684
Due from other governments	-	-	-	77,308	77,308
Total assets	228,268	16,460	162,787	232,025	639,540
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	307	3,831	-	4,138
Deferred revenue:					
Succeeding year property tax	121,000	-	58,082	-	179,082
Total liabilities	121,000	307	61,913	-	183,220
Fund balances:					
Unreserved reported in:					
Special revenue funds	107,268	16,153	100,874	-	224,295
Capital projects funds	-	-	-	232,025	232,025
Total fund balances	107,268	16,153	100,874	232,025	456,320
Total liabilities and fund balances	228,268	16,460	162,787	232,025	639,540

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales and Services Tax	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	110,082	-	57,753	418,842	586,677
Other	10,682	207,434	4,741	2,188	225,045
State sources	-	-	-	12,184	12,184
Total revenues	<u>120,764</u>	<u>207,434</u>	<u>62,494</u>	<u>433,214</u>	<u>823,906</u>
Expenditures:					
Current:					
Instruction:					
Regular	12,958	-	-	-	12,958
Special	921	-	-	-	921
Other	-	226,130	-	4,270	230,400
Support services:					
Student	614	-	-	-	614
Instructional staff	614	3,181	-	24,781	28,576
Administration	19,512	-	-	-	19,512
Operation and maintenance of plant	40,340	-	9,115	-	49,455
Transportation	21,976	-	-	170,000	191,976
Non-instructional programs	2,764	-	-	-	2,764
Other expenditures:					
Facilities acquisition	-	-	45,483	69,442	114,925
Total expenditures	<u>99,699</u>	<u>229,311</u>	<u>54,598</u>	<u>268,493</u>	<u>652,101</u>
Excess (deficiency) of revenues over (under) expenditures	21,065	(21,877)	7,896	164,721	171,805
Other financing sources (uses):					
Operating transfers out	-	-	(16,082)	(100,000)	(116,082)
Net change in fund balances	21,065	(21,877)	(8,186)	64,721	55,723
Fund balances beginning of year	<u>86,203</u>	<u>38,030</u>	<u>109,060</u>	<u>167,304</u>	<u>400,597</u>
Fund balances end of year	<u>107,268</u>	<u>16,153</u>	<u>100,874</u>	<u>232,025</u>	<u>456,320</u>

See accompanying independent auditor's report.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Drama	1,466	2,893	2,760	(13)	1,586
Vocal music	2,242	8,406	7,251	(4)	3,393
Band	1,092	8,161	8,977	(542)	(266)
Scoreboard fund	5,386	5,459	12,602	-	(1,757)
Basketball	27,590	37,476	50,025	58	15,099
Coed soccer	(6,088)	5,444	6,275	(82)	(7,001)
Baseball-softball	(10,772)	8,865	12,996	(671)	(15,574)
Track	(4,512)	8,103	10,939	(40)	(7,388)
Track repair-fund	350	-	177	-	173
Golf	(359)	497	1,150	-	(1,012)
Bowling	-	200	-	-	200
Football	(2,568)	22,896	16,635	230	3,923
Wrestling	(2,776)	10,164	11,800	-	(4,412)
Volleyball	3,657	5,063	6,298	-	2,422
Dance team	2,617	3,427	4,200	-	1,844
Cheerleading	(838)	125	680	-	(1,393)
FFA	1,357	26,342	23,791	1,213	5,121
National Honor Society	(657)	66	137	-	(728)
Student Council	389	742	985	-	146
FBLA	190	-	-	-	190
Activity Ticket	7,470	24,693	21,676	(153)	10,334
Girls basketball camp	670	1,223	1,395	-	498
Juice and pop machine	4,418	3,020	1,297	-	6,141
History books	(6,006)	311	-	-	(5,695)
Yearbook middle school	1,744	1,032	1,135	586	2,227
Yearbook	3,376	8,298	8,840	(587)	2,247
Swing choir trip	728	1,526	1,526	(2)	726
Entrepreneur fund	3	-	-	-	3
MS student council	2,335	-	253	3	2,085
Spanish trip	2	-	-	-	2
Class of 2004	168	-	-	(150)	18
Class of 2005	913	-	-	154	1,067
Class of 2006	2,205	625	117	-	2,713
Class of 2007	2,250	828	2,864	-	214
Class of 2008	190	11,091	11,902	-	(621)
Class of 2009	(202)	388	341	-	(155)
Class of 2010	-	70	287	-	(217)
Total	38,030	207,434	229,311	-	16,153

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,025,752	2,927,106	2,926,431	2,597,762
Tuition	157,706	125,053	127,338	99,421
Other	353,245	495,234	259,834	226,266
Intermediate sources	-	103	-	-
State sources	3,446,890	3,426,585	3,383,312	3,347,324
Federal sources	186,358	191,085	202,301	220,322
Total revenues	<u>7,169,951</u>	<u>7,165,166</u>	<u>6,899,216</u>	<u>6,491,095</u>
Expenditures:				
Instruction:				
Regular	2,303,741	2,153,852	2,353,831	2,221,520
Special	818,833	729,609	997,283	997,607
Other	943,112	1,038,156	610,754	600,342
Support services:				
Student	75,520	85,252	77,039	73,845
Instructional staff	247,715	201,143	141,386	111,671
Administration	807,012	731,596	772,778	693,256
Operation and maintenance of plant	668,638	630,562	504,911	450,698
Transportation	483,665	344,023	318,494	292,086
Non-instructional programs	2,764	2,492	2,310	2,337
Other expenditures:				
Facilities acquisition	114,925	511,367	175,248	15,807
Long-term debt:				
Principal	1,650,000	335,000	320,000	285,000
Interest and other charges	128,612	146,001	109,314	145,128
AEA flowthrough	242,400	237,121	237,625	240,419
Total expenditures	<u>8,486,937</u>	<u>7,146,174</u>	<u>6,620,973</u>	<u>6,129,716</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 11, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Nodaway Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nodaway Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Nodaway Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Nodaway Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Nodaway Valley Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Nodaway Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A and 07-I-B are material weaknesses.

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 and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

Nodaway Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Nodaway Valley Community School District's responses and, accordingly, we express no opinion on them.

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

April 11, 2008

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-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, preparing and posting general journal entries, 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 that 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.

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

Conclusion: Response accepted.

07-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

- 07-II-A Certified Budget: Expenditures for the year ended June 30, 2007 did not exceed the amounts budgeted
- 07-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.
- 07-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.
- 07-II-D Business Transactions: We noted no business transactions between the District and District officials or employees.
- 07-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.
- 07-II-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.
- 07-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 07-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.
- 07-II-I Certified Annual Report: The Certified Annual Report was certified timely to the Iowa Department of Education.
- 07-11-J Financial Condition: The Special Revenue, Student Activity Fund has a few accounts with deficit balances at June 30, 2007.

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.