

NISHNA 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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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, 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 Nishna Valley Community School District at 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 report dated March 28, 2008, 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 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2006, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, 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

March 28, 2008

# **NISHNA VALLEY COMMUNITY SCHOOL DISTRICT**

## **Management Discussion and Analysis for the Fiscal Year Ended June 30, 2007**

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, 2007. 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 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 the ISJIT account.
- The General Fund ending cash balance in fiscal year 2007 was \$167,019. The District had two \$100,000 certificates of deposit with a total of \$209,888. Also, the District had \$104,385 in the 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, 2007.
- In an effort to balance the declining reserve trends in the General Fund, The District chose not to replace a resigning full-time Special Education Teacher, at a savings of approximately \$41,000.

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

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

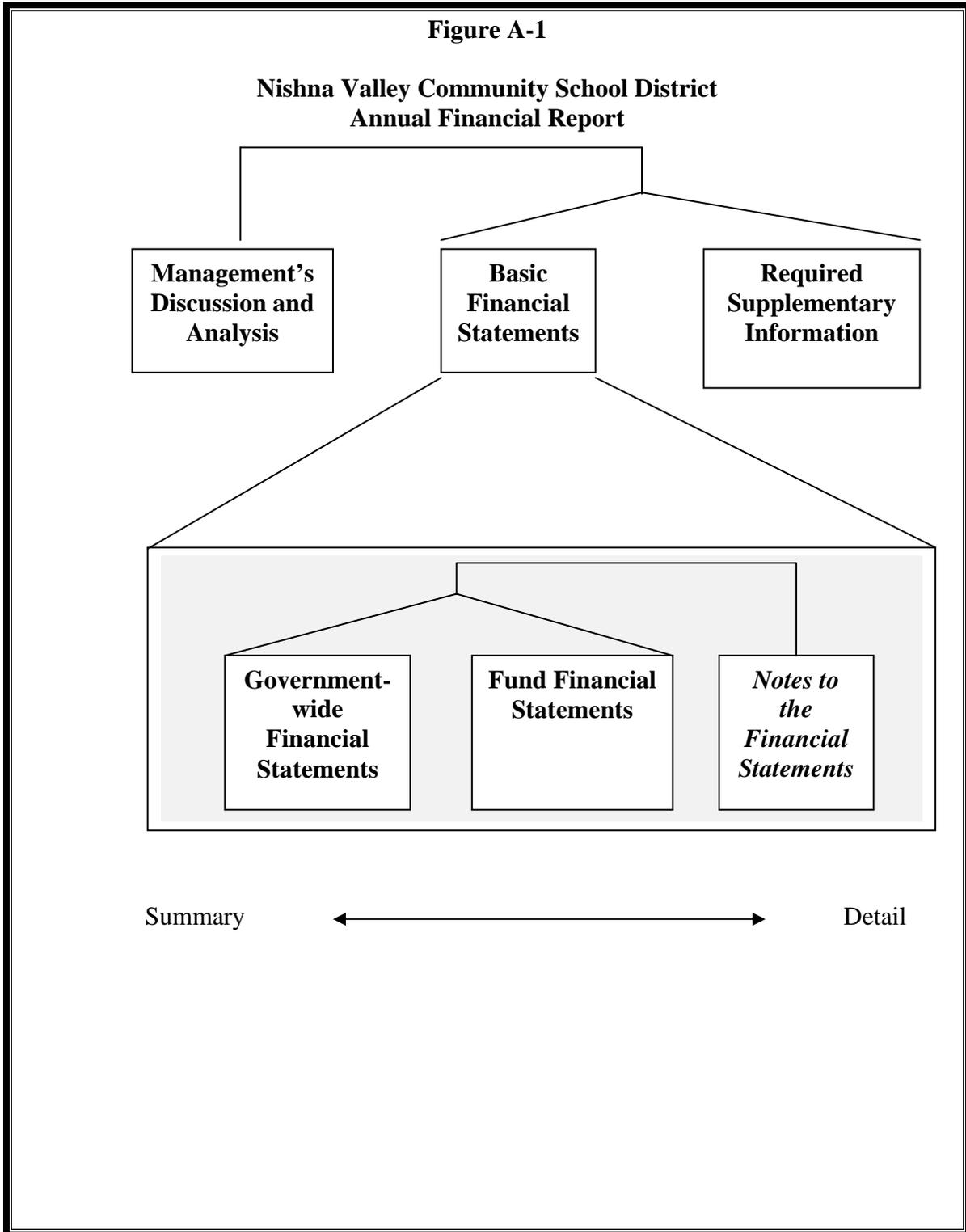


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents 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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> <li>• Statement of revenues, expenses and changes in net assets</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term’ funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **Government-wide Financial Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

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

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the 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, 2007 and 2006.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total School District	
	2006	2007	2006	2007	2006	2007
<b>Assets:</b>						
Current and Other Assets	\$2,904,004	\$2,341,165	\$ 34,349	\$20,006	\$2,938,353	\$2,361,171
Capital Assets, Net	\$2,894,151	\$3,010,923	\$ 17,613	\$ 31,786	\$2,911,764	\$3,042,709
<b>Total Assets</b>	<b>\$5,798,155</b>	<b>\$5,352,088</b>	<b>\$ 51,962</b>	<b>\$ 51,792</b>	<b>\$5,850,117</b>	<b>\$5,403,880</b>
<b>Liabilities:</b>						
Current and Other Liabilities	\$1,891,701	\$1,784,900	\$ 2,025	\$ 1,113	\$1,893,726	\$1,786,013
Long-Term Liabilities	\$2,785,000	\$2,680,000	0	0	\$2,785,000	\$2,680,000
<b>Total Liabilities</b>	<b>\$4,676,701</b>	<b>\$4,464,900</b>	<b>\$ 2,025</b>	<b>\$ 1,113</b>	<b>\$4,678,726</b>	<b>\$4,466,013</b>
<b>Net Assets:</b>						
Invested in Capital Assets Net of Related Debt	\$ 502,644	\$ 330,923	\$ 17,613	\$ 31,786	\$ 520,257	\$ 362,709
Restricted	\$ 268,196	\$ 490,477	0	0	\$ 268,196	\$ 490,477
Unrestricted (Deficit)	\$ 350,614	\$ 65,788	\$ 32,324	\$ 18,893	\$ 382,938	\$ 84,681
<b>Total Net Assets</b>	<b>\$1,121,454</b>	<b>\$ 887,188</b>	<b>\$ 49,937</b>	<b>\$ 50,679</b>	<b>\$1,171,391</b>	<b>\$ 937,867</b>

Total net assets is the difference between the District's assets and liabilities. The District's total net assets decreased by \$233,524 from 2006 to 2007. 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 \$222,281 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 \$298,257. 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, 2007 and 2006.

**Figure A-4**

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total School District	
	2006	2007	2006	2007	2006	2007
	\$	\$	\$	\$	\$	\$
Revenues						
Program Revenues:						
Charges for services	340,621	283,047	63,689	118,535	404,310	401,582
Operating grants & contributions	375,360	375,243	75,980	84,420	451,340	459,663
Capital grants & contributions	67,642	58,909	0	0	67,642	58,909
General Revenues:						
Property taxes	1,350,526	1,459,566	0	0	1,350,526	1,459,566
Income Surtax	91,176	113,686	0	0	91,176	113,686
Local option sales tax	116,366	133,513	0	0	116,366	133,513
Unrestricted state grants	746,993	561,041	0	0	746,993	561,041
Unrestricted investment earnings	11,755	11,894	154	1,943	11,909	13,837
Other revenue	3,582	15,452	0	0	3,582	15,452
<b>Total Revenues</b>	<b>3,104,021</b>	<b>3,012,351</b>	<b>139,823</b>	<b>204,898</b>	<b>3,243,844</b>	<b>3,217,249</b>
Expenses:						
Instruction	1,910,015	1,994,657	0	0	1,910,015	1,994,657
Support services:						
Student and instructional staff	39,488	129,541	0	0	39,488	129,541
Administration	346,576	379,688	0	0	346,576	379,688
Operation and maintenance	275,600	309,285	0	0	275,600	309,285
Transportation	144,967	143,195	0	0	144,967	143,195
Non-instructional programs	0	0	128,327	220,441	128,327	220,441
Other expenditures	255,049	273,966	0	0	255,049	273,966
<b>Total expenses</b>	<b>2,971,695</b>	<b>3,230,332</b>	<b>128,327</b>	<b>220,441</b>	<b>3,100,022</b>	<b>3,450,773</b>
<b>Change in net assets before transfers</b>	<b>132,326</b>	<b>(271,981)</b>	<b>11,496</b>	<b>(15,543)</b>	<b>143,822</b>	<b>(233,524)</b>
Transfers	0	(16,285)	0	16,285	0	0
<b>CHANGE IN NET ASSETS</b>	<b>132,326</b>	<b>(234,266)</b>	<b>11,496</b>	<b>742</b>	<b>143,822</b>	<b>(233,524)</b>

Property taxes and unrestricted state grants account for 63% of the total revenues. 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 \$3,012,351 and the expenses were \$3,230,322. Property taxes increased in fiscal year 2007 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 aid 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 2007 \$	Total Cost of Services 2006 \$	Net Cost of Services 2007 \$	Net Cost of Services 2006 \$
Instruction	1,994,657	1,910,015	1,419,389	1,277,273
Support Services	961,709	806,631	961,666	804,753
Non-instructional Programs	0	0	0	0
Other Expenses	273,966	255,049	132,078	106,046
<b>TOTAL</b>	<u>3,230,332</u>	<u>2,971,695</u>	<u>2,513,133</u>	<u>2,188,072</u>

The costs financed by the users of the District's programs were \$283,047. 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 \$425,243. These grants must be used for a specific purpose.

The net cost of governmental activities was financed with \$1,459,566 of property taxes, \$113,686 of income surtaxes, \$133,513 of sales taxes and \$561,041 of unrestricted state aid.

### **Business Type Activities**

The District's business type activities include the School Nutrition Fund and Child Care Center. Revenues for the School Nutrition Fund include charges for services and federal and state reimbursements based on the number of student meals served. Revenues for the Child Care Center include charges for child care services and miscellaneous local grants.

### **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 \$470,183, \$463,354 less than last years ending fund balances of \$933,537. 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 \$284,775 at June 30, 2006 to (\$11,875) at June 30, 2007. General Fund revenues decreased substantially, and expenses increased. Most of the increased expenses were for salaries and employee benefits. Approximately 77% 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 \$21,321 to \$33,879. This is due to the fact that revenues were substantially higher and few expenditures were made from this fund. Expenditures included gravel for the driveway, roof repair, renovation of two classrooms, and purchase of a riding lawnmower.

The Capital Projects Local Option Sales Tax Fund balance decreased by \$202,701 to a year-end balance of \$98,895. All of this balance is committed for general obligation bond payments in fiscal year 2008.

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

## **Proprietary Fund Highlights**

The District's proprietary funds include the School Nutrition Fund and the Daycare Fund.

School Nutrition revenues and expenses showed no large variation from the prior year.

Fiscal year 2007 was the first year for the Daycare Fund. The \$20,945 loss experienced was anticipated, but the District expects to operate on a break even basis within two years. To do this we will have to increase enrollment and control labor costs.

## **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 GAAP 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 2007, actual revenues were \$539,115 less than the amount budgeted,

a variance of 14%. Most of this difference was caused by the District receiving less from local sources than anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

### Capital Asset and Debt Administration

By the end of 2007, the District had invested \$3,042,709, 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 4% from last year. More detailed information about capital assets can be found in Note 5 to the financial statements.

During fiscal year 2007 the District completed a \$2.6 million building addition, renovation and geothermal project. Approximately \$120,000 was spent on equipment and furniture for the addition. The District also purchased \$75,000 of playground equipment; \$50,000 of the cost was covered by a federal grant.

*Figure A-6*

	Governmental Activities		Business type Activities		Total School District	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Land	17,500	17,500	0	0	17,500	17,500
Construction in progress	0	2,561,957	0	0	0	2,561,957
Buildings	2,711,327	193,608	0	0	2,711,327	193,608
Improvements	84,426	5,934	0	0	84,426	5,934
Equipment & Furniture	197,670	115,152	31,786	17,613	229,456	132,765
<b>TOTAL</b>	<b>3,010,923</b>	<b>2,894,151</b>	<b>31,786</b>	<b>17,613</b>	<b>3,042,709</b>	<b>2,911,764</b>

## **Long-Term Debt**

The District's long-term debt consists of \$2,680,000 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 and will continue to impact the District.
- On July 1, 2007 the Nishna Valley and Malvern Community School District's began a five-year whole grade sharing arrangement. Under the agreement Nishna Valley will educate students in grades 5-8, Malvern will serve grades 9-12, and each District will maintain an elementary school for grades K-4. This agreement should save money for both districts.

## **Contacting the District's Financial Management**

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

## BASIC FINANCIAL STATEMENTS

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	549,540	52,477	602,017
Receivables:			
Property tax:			
Delinquent	20,990	-	20,990
Succeeding year	1,529,765	-	1,529,765
Accounts	-	1,361	1,361
Interfund receivables	37,542	(37,542)	-
Due from other governments	181,347	-	181,347
Inventories	-	3,710	3,710
Bond issue costs	21,981	-	21,981
Capital assets, net of accumulated depreciation	3,010,923	31,786	3,042,709
<b>Total assets</b>	<b>5,352,088</b>	<b>51,792</b>	<b>5,403,880</b>
<b>Liabilities</b>			
Accounts payable	30,660	247	30,907
Salaries and benefits payable	203,838	-	203,838
Accrued interest payable	20,637	-	20,637
Deferred revenue:			
Succeeding year property tax	1,529,765	-	1,529,765
Other	-	866	866
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	2,575,000	-	2,575,000
<b>Total liabilities</b>	<b>4,464,900</b>	<b>1,113</b>	<b>4,466,013</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	330,923	31,786	362,709
Restricted for:			
State categorical aid	23,128	-	23,128
Management levy	26,834	-	26,834
Physical plant and equipment levy	33,879	-	33,879
Other special revenue purposes	41,803	-	41,803
Capital projects	364,833	-	364,833
Unrestricted	65,788	18,893	84,681
<b>Total net assets</b>	<b>887,188</b>	<b>50,679</b>	<b>937,867</b>

See notes to financial statements.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	<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	1,201,409	169,346	235,544	-
Special	424,280	26,080	8,585	-
Other	368,968	87,578	48,135	-
	<u>1,994,657</u>	<u>283,004</u>	<u>292,264</u>	<u>-</u>
Support services:				
Student	81,951	-	-	-
Instructional staff	47,590	-	-	-
Administration	379,688	-	-	-
Operation and maintenance of plant	309,285	-	-	-
Transportation	143,195	43	-	-
	<u>961,709</u>	<u>43</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	8,888	-	-	58,909
Long-term debt interest	128,176	-	307	-
AEA flowthrough	82,672	-	82,672	-
Depreciation (unallocated)*	54,230	-	-	-
	<u>273,966</u>	<u>-</u>	<u>82,979</u>	<u>58,909</u>
Total governmental activities	<u>3,230,332</u>	<u>283,047</u>	<u>375,243</u>	<u>58,909</u>
Business type activities:				
Non-instructional programs:				
Food service operations	127,037	63,989	84,420	-
Daycare	93,404	54,546	-	-
Total business-type activities	<u>220,441</u>	<u>118,535</u>	<u>84,420</u>	<u>-</u>
Total	<u>3,450,773</u>	<u>401,582</u>	<u>459,663</u>	<u>58,909</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
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
\$	\$	\$
(796,519)	-	(796,519)
(389,615)	-	(389,615)
(233,255)	-	(233,255)
<u>(1,419,389)</u>	<u>-</u>	<u>(1,419,389)</u>
(81,951)	-	(81,951)
(47,590)	-	(47,590)
(379,688)	-	(379,688)
(309,285)	-	(309,285)
(143,152)	-	(143,152)
<u>(961,666)</u>	<u>-</u>	<u>(961,666)</u>
50,021	-	50,021
(127,869)	-	(127,869)
-	-	-
(54,230)	-	(54,230)
<u>(132,078)</u>	<u>-</u>	<u>(132,078)</u>
<u>(2,513,133)</u>	<u>-</u>	<u>(2,513,133)</u>
-	21,372	21,372
-	(38,858)	(38,858)
-	(17,486)	(17,486)
<u>(2,513,133)</u>	<u>(17,486)</u>	<u>(2,530,619)</u>
1,363,989	-	1,363,989
64,707	-	64,707
30,870	-	30,870
113,686	-	113,686
133,513	-	133,513
561,041	-	561,041
11,894	1,943	13,837
15,452	-	15,452
<u>2,295,152</u>	<u>1,943</u>	<u>2,297,095</u>
(16,285)	16,285	-
<u>2,278,867</u>	<u>18,228</u>	<u>2,297,095</u>
(234,266)	742	(233,524)
<u>1,121,454</u>	<u>49,937</u>	<u>1,171,391</u>
<u>887,188</u>	<u>50,679</u>	<u>937,867</u>

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Capital Projects Construction	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	167,019	229,634	152,887	549,540
Receivables:				
Property tax:				
Delinquent	18,754	-	2,236	20,990
Succeeding year	1,305,132	-	224,633	1,529,765
Interfund receivable	37,542	37,924	-	75,466
Due from other governments	112,776	-	68,571	181,347
<b>Total assets</b>	<b>1,641,223</b>	<b>267,558</b>	<b>448,327</b>	<b>2,357,108</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	21,466	2,160	7,034	30,660
Salaries and benefits payable	203,838	-	-	203,838
Interfund payable	37,924	-	-	37,924
Deferred revenue:				
Succeeding year property tax	1,305,132	-	224,633	1,529,765
Other	84,738	-	-	84,738
Total liabilities	1,653,098	2,160	231,667	1,886,925
Fund balances:				
Reserved for:				
State categorical aid	23,128	-	-	23,128
Debt service	-	-	15,249	15,249
Unreserved reported in:				
General fund	(35,003)	-	-	(35,003)
Special revenue funds	-	-	102,516	102,516
Capital projects funds	-	265,398	98,895	364,293
Total fund balances	(11,875)	265,398	216,660	470,183
<b>Total liabilities and fund balances</b>	<b>1,641,223</b>	<b>267,558</b>	<b>448,327</b>	<b>2,357,108</b>

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	470,183
<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.	3,010,923
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	84,738
Bond issue costs are reported as an expense when incurred in the fund financial statements, but are capitalized for the statement of net assets.	21,981
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.	(20,637)
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>(2,680,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>887,188</u></u>

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Capital Projects Construction	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,410,010	-	232,591	1,642,601
Tuition	153,988	-	-	153,988
Other	71,354	8,909	93,053	173,316
State sources	833,934	-	56,446	890,380
Federal sources	102,043	50,000	-	152,043
Total revenues	<u>2,571,329</u>	<u>58,909</u>	<u>382,090</u>	<u>3,012,328</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,183,008	-	16,180	1,199,188
Special	424,280	-	-	424,280
Other	280,358	-	88,314	368,672
	<u>1,887,646</u>	<u>-</u>	<u>104,494</u>	<u>1,992,140</u>
Support services:				
Student	81,846	-	-	81,846
Instructional staff	45,397	-	-	45,397
Administration	377,710	-	-	377,710
Operation and maintenance of plant	261,494	-	44,011	305,505
Transportation	132,519	-	-	132,519
	<u>898,966</u>	<u>-</u>	<u>44,011</u>	<u>942,977</u>
Other expenditures:				
Facilities acquisition	-	206,485	19,234	225,719
Long-term debt:				
Principal	-	-	105,000	105,000
Interest and fiscal charges	-	-	129,007	129,007
AEA flowthrough	82,672	-	-	82,672
	<u>82,672</u>	<u>206,485</u>	<u>253,241</u>	<u>542,398</u>
Total expenditures	<u>2,869,284</u>	<u>206,485</u>	<u>401,746</u>	<u>3,477,515</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(297,955)</u>	<u>(147,576)</u>	<u>(19,656)</u>	<u>(465,187)</u>
Other financing sources (uses):				
Sales of real property and equipment	1,305	-	528	1,833
Operating transfers in	-	19,481	183,220	202,701
Operating transfers out	-	-	(202,701)	(202,701)
Total other financing sources (uses)	<u>1,305</u>	<u>19,481</u>	<u>(18,953)</u>	<u>1,833</u>
Net change in fund balances	(296,650)	(128,095)	(38,609)	(463,354)
Fund balances beginning of year	284,775	393,493	255,269	933,537
Fund balances end of year	<u>(11,875)</u>	<u>265,398</u>	<u>216,660</u>	<u>470,183</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, 2007

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(463,354)
<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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	200,546	
Depreciation expense	<u>(74,246)</u>	126,300
A loss was recorded in the Statement of Activities when portable bulidings with a basis were disposed of.		
		(9,528)
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.		
		7,718
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.		
		105,000
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>831</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(234,266)</u></u>

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	52,477
Accounts receivable	1,361
Inventories	3,710
Capital assets, net of accumulated depreciation	<u>31,786</u>
<b>Total assets</b>	<u>89,334</u>
<b>Liabilities</b>	
Accounts payable	247
Interfund payables	37,542
Deferred revenue	<u>866</u>
<b>Total liabilities</b>	<u>38,655</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	31,786
Unrestricted	<u>18,893</u>
<b>Total net assets</b>	<u><u>50,679</u></u>

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

Year ended June 30, 2007

	Nonmajor Enterprise Funds <u>          </u> \$
Operating revenues:	
Local sources:	
Charges for service	<u>118,535</u>
Operating expenses:	
Non-instructional programs:	
Salaries	112,430
Benefits	19,944
Purchased services	2,757
Supplies	81,885
Depreciation	2,870
Other	555
	<u>220,441</u>
Operating gain (loss)	<u>(101,906)</u>
Non-operating revenues:	
State sources	1,904
Federal sources	82,516
Interest income	1,943
Total non-operating revenues	<u>86,363</u>
Gain (loss) before capital contributions	(15,543)
Capital contributions	<u>16,285</u>
Change in net assets	742
Net assets beginning of year	<u>49,937</u>
Net assets end of year	<u><u>50,679</u></u>

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	62,830
Cash received from daycare services	53,185
Cash payments to employees for services	(132,374)
Cash payments to suppliers for goods or services	(76,448)
Net cash used by operating activities	<u>(92,807)</u>
Cash flows from non-capital financing activities:	
Loan from General Fund	37,542
State grants received	1,904
Federal grants received	73,847
Net cash provided by non-capital financing activities	<u>113,293</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(758)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,943</u>
Net increase (decrease) in cash and cash equivalents	21,671
Cash and cash equivalents at beginning of year	<u>30,806</u>
Cash and cash equivalents at end of year	<u><u>52,477</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(101,906)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	8,669
Depreciation	2,870
Decrease (increase) in inventories	(167)
Decrease (increase) in accounts receivable	(1,361)
(Decrease) increase in accounts payable	247
(Decrease) increase in deferred revenue	(1,159)
Net cash used in operating activities	<u><u>(92,807)</u></u>

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

During the year ended June 30, 2007, the District received \$8,669 of federal commodities.

During the year ended June 30, 2007, the Daycare Fund received \$16,285 of equipment that was purchased by other funds.

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2007

	<u>Agency</u>
	\$
<b>Assets</b>	
Cash and pooled investments	1,483
<b>Liabilities</b>	
Other payables	<u>1,483</u>
<b>Net Assets</b>	<u><u>-</u></u>

# NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### 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 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 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 District's proprietary funds include the Enterprise, School Nutrition Fund, which is used to account for the food service operations of the District and the Daycare Fund, which is used to account for the District's child care center.

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 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	-
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.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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 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 in the instruction functional area exceeded the amount 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:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	<u>104,285</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 Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor Enterprise, Daycare Fund	37,542
Capital Projects Construction	General Fund	37,924

The receivable/payable between the Capital Projects Construction and the General Fund represents \$37,924 of construction rebates that were receipted to the incorrect fund.

During the year the General Fund loaned the Daycare Fund monies for cash flow.

### 4. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Capital Projects Construction	Nonmajor Governmental Funds: Capital Projects Local Option Sales Tax	19,481
Nonmajor Governmental Funds: Debt Service Fund	Nonmajor Governmental Funds: Capital Projects Local Option Sales Tax	183,220

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, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	2,561,957	-	2,561,957	-
Land	17,500	-	-	17,500
Total capital assets not being Depreciated	<u>2,579,457</u>	<u>-</u>	<u>2,561,957</u>	<u>17,500</u>

Capital assets being depreciated:				
Buildings	1,152,037	2,578,816	43,306	3,687,547
Improvements other than buildings	254,102	81,153	-	335,255
Furniture and equipment	526,247	102,534	25,309	603,472
Total capital assets being deprec.	<u>1,932,386</u>	<u>2,762,503</u>	<u>68,615</u>	<u>4,626,274</u>
Less accumulated depreciation for:				
Buildings	958,429	51,569	33,778	976,220
Improvements other than buildings	248,168	2,661	-	250,829
Furniture and equipment	411,095	20,016	25,309	405,802
Total accumulated depreciation	<u>1,617,692</u>	<u>74,246</u>	<u>59,087</u>	<u>1,632,851</u>
Total capital assets being Depreciated, net	<u>314,694</u>	<u>2,688,257</u>	<u>9,528</u>	<u>2,993,423</u>
Governmental activities capital Assets, net				
	<u>2,894,151</u>	<u>2,688,257</u>	<u>2,571,485</u>	<u>3,010,923</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Business type activities:</b>				
Furniture and equipment	99,628	17,043	-	116,671
Less accumulated depreciation	<u>82,015</u>	<u>2,870</u>	<u>-</u>	<u>84,885</u>
Business type activities capital assets, net	<u>17,613</u>	<u>14,173</u>	<u>-</u>	<u>31,786</u>
Depreciation expense was charged to the following functions:				\$
Governmental activities:				
Instruction:				2,221
Other				296
Support Services:				
Student support				105
Instructional staff services				2,193
Administration services				745
Operation and maintenance of plant services				3,780
Transportation				<u>10,676</u>
Unallocated depreciation				<u>54,230</u>
Total depreciation expense – governmental activities				<u>74,246</u>
Business type activities:				
Food services				2,068
Daycare				<u>802</u>
Total depreciation expense – business type activities				<u>2,870</u>

## 6. 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	2,785,000	-	105,000	2,680,000	105,000

### General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May, 2005			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.75	125,000	102,445	227,445
2013-2017	4.20-4.75	690,000	420,120	1,110,120
2018-2022	4.40-4.65	830,000	255,810	1,085,810
2023-2025	4.75	585,000	56,525	641,525
		<u>2,680,000</u>	<u>1,299,306</u>	<u>3,979,306</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, 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 \$85,659, \$86,402 and \$85,203 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 \$82,672 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.

**10. Commitments**

The District has entered into a contract totaling \$57,183 for parking lot resurfacing. The project had not started at June 30, 2007.

**11. Deficit Fund Balances**

At June 30, 2007 the District had General Fund unreserved fund balance deficit of \$35,003 and the Enterprise Daycare Center Fund had a deficit unrestricted net assets of \$36,428.

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, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,969,905	120,478	2,090,383	2,443,256	2,443,256	(352,873)
Intermediate sources	-	-	-	3,000	3,000	(3,000)
State sources	890,380	1,904	892,284	1,090,085	1,090,085	(197,801)
Federal sources	152,043	82,516	234,559	220,000	220,000	14,559
Total revenues	<u>3,012,328</u>	<u>204,898</u>	<u>3,217,226</u>	<u>3,756,341</u>	<u>3,756,341</u>	<u>(539,115)</u>
Expenditures:						
Instruction	1,992,140	-	1,992,140	1,960,416	1,960,416	(31,724)
Support services	942,977	-	942,977	1,894,082	1,894,082	951,105
Non-instructional programs	-	220,441	220,441	487,390	487,390	266,949
Other expenditures	542,398	-	542,398	1,945,536	1,945,536	1,403,138
Total expenditures	<u>3,477,515</u>	<u>220,441</u>	<u>3,697,956</u>	<u>6,287,424</u>	<u>6,287,424</u>	<u>2,589,468</u>
Excess (deficiency) of revenues over (under) expenditures	(465,187)	(15,543)	(480,730)	(2,531,083)	(2,531,083)	2,050,353
Other financing sources (uses) net	<u>1,833</u>	<u>16,285</u>	<u>18,118</u>	<u>2,000</u>	<u>2,000</u>	<u>16,118</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(463,354)	742	(462,612)	(2,529,083)	(2,529,083)	2,066,471
Balance beginning of year	<u>933,537</u>	<u>49,937</u>	<u>983,474</u>	<u>1,819,936</u>	<u>1,819,936</u>	<u>(836,462)</u>
Balance end of year	<u>470,183</u>	<u>50,679</u>	<u>520,862</u>	<u>(709,147)</u>	<u>(709,147)</u>	<u>1,230,009</u>

NISHNA 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 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2007, expenditures in the instruction function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds			Capital Projects		Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	Debt Service	
	\$	\$	\$	\$	\$	
Cash and pooled investments	32,287	42,522	33,435	30,324	14,319	152,887
Receivables:						
Property tax:						
Delinquent	862	-	444	-	930	2,236
Succeeding year	50,000	-	30,654	-	143,979	224,633
Due from other governments	-	-	-	68,571	-	68,571
<b>Total assets</b>	<b>83,149</b>	<b>42,522</b>	<b>64,533</b>	<b>98,895</b>	<b>159,228</b>	<b>448,327</b>
<b>Liabilities &amp; Fund Balances</b>						
Liabilities:						
Accounts payable	6,315	719	-	-	-	7,034
Deferred revenue:						
Succeeding year property tax	50,000	-	30,654	-	143,979	224,633
Total liabilities	<u>56,315</u>	<u>719</u>	<u>30,654</u>	<u>-</u>	<u>143,979</u>	<u>231,667</u>
Fund balances:						
Reserved for debt service	-	-	-	-	15,249	15,249
Unreserved reported in:						
Special revenue funds	26,834	41,803	33,879	-	-	102,516
Capital projects funds	-	-	-	98,895	-	98,895
Total fund balances	<u>26,834</u>	<u>41,803</u>	<u>33,879</u>	<u>98,895</u>	<u>15,249</u>	<u>216,660</u>
<b>Total liabilities and fund balances</b>	<b>83,149</b>	<b>42,522</b>	<b>64,533</b>	<b>98,895</b>	<b>159,228</b>	<b>448,327</b>

See accompanying independent auditor's report.

## NISHNA 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		Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	Debt Service	
	\$	\$	\$	\$	\$	
Revenues:						
Local sources:						
Local tax	59,947	-	30,870	77,067	64,707	232,591
Other	4,630	87,502	307	307	307	93,053
State sources	-	-	-	56,446	-	56,446
Total revenues	<u>64,577</u>	<u>87,502</u>	<u>31,177</u>	<u>133,820</u>	<u>65,014</u>	<u>382,090</u>
Expenditures:						
Current:						
Instruction:						
Regular	16,180	-	-	-	-	16,180
Other	-	88,314	-	-	-	88,314
Support services:						
Operation and maintenance of plant	44,011	-	-	-	-	44,011
Other expenditures:						
Facilities acquisition	-	-	19,147	87	-	19,234
Long-term debt:						
Principal	-	-	-	-	105,000	105,000
Interest and fiscal charges	-	-	-	-	129,007	129,007
Total expenditures	<u>60,191</u>	<u>88,314</u>	<u>19,147</u>	<u>87</u>	<u>234,007</u>	<u>401,746</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,386</u>	<u>(812)</u>	<u>12,030</u>	<u>133,733</u>	<u>(168,993)</u>	<u>(19,656)</u>
Other financing sources (uses):						
Sales of real property	-	-	528	-	-	528
Operating transfers in	-	-	-	-	183,220	183,220
Operating transfers out	-	-	-	(202,701)	-	(202,701)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>528</u>	<u>(202,701)</u>	<u>183,220</u>	<u>(18,953)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,386</u>	<u>(812)</u>	<u>12,558</u>	<u>(68,968)</u>	<u>14,227</u>	<u>(38,609)</u>
Fund balances beginning of year	<u>22,448</u>	<u>42,615</u>	<u>21,321</u>	<u>167,863</u>	<u>1,022</u>	<u>255,269</u>
Fund balances end of year	<u>26,834</u>	<u>41,803</u>	<u>33,879</u>	<u>98,895</u>	<u>15,249</u>	<u>216,660</u>

See accompanying independent auditor's report.

## NISHNA VALLEY

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2007

	Enterprise Funds		
	Nutrition Fund	Daycare Center	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	52,477	-	52,477
Accounts receivable	-	1,361	1,361
Inventories	3,710	-	3,710
Capital assets, net of accumulated depreciation	16,303	15,483	31,786
<b>Total assets</b>	<u>72,490</u>	<u>16,844</u>	<u>89,334</u>
<b>Liabilities</b>			
Accounts payable	-	247	247
Interfund payables	-	37,542	37,542
Deferred revenue	866	-	866
<b>Total liabilities</b>	<u>866</u>	<u>37,789</u>	<u>38,655</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	16,303	15,483	31,786
Unrestricted	55,321	(36,428)	18,893
<b>Total net assets</b>	<u>71,624</u>	<u>(20,945)</u>	<u>50,679</u>

## NISHNA VALLEY

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Nonmajor Enterprise Funds

Year Ended June 30, 2007

	Enterprise Funds		
	Nutrition Fund	Daycare Center	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	63,989	54,546	118,535
Operating expenses:			
Non-instructional programs:			
Salaries	43,093	69,337	112,430
Benefits	5,068	14,876	19,944
Purchased services	2,228	529	2,757
Supplies	74,420	7,465	81,885
Depreciation	2,068	802	2,870
Other	160	395	555
	127,037	93,404	220,441
Operating gain (loss)	(63,048)	(38,858)	(101,906)
Non-operating revenues:			
State sources	1,904	-	1,904
Federal sources	82,516	-	82,516
Interest income	315	1,628	1,943
Total non-operating revenues	84,735	1,628	86,363
Gain (loss) before capital contributions	21,687	(37,230)	(15,543)
Capital contributions	-	16,285	16,285
Change in net assets	21,687	(20,945)	742
Net assets beginning of year	49,937	-	49,937
Net assets end of year	71,624	(20,945)	50,679

## NISHNA VALLEY

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year Ended June 30, 2007

	Enterprise Funds		
	Nutrition Fund	DayCare Center	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	62,830	-	62,830
Cash received from other services	-	53,185	53,185
Cash payments to employees for services	(48,161)	(84,213)	(132,374)
Cash payments to suppliers for goods or services	(68,306)	(8,142)	(76,448)
Net cash used by operating activities	<u>(53,637)</u>	<u>(39,170)</u>	<u>(92,807)</u>
Cash flows from non-capital financing activities:			
Loan from General Fund	-	37,542	37,542
State grants received	1,904	-	1,904
Federal grants received	73,847	-	73,847
Net cash provided by non-capital financing activities	<u>75,751</u>	<u>37,542</u>	<u>113,293</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(758)</u>	<u>-</u>	<u>(758)</u>
Cash flows from investing activities:			
Interest on investments	<u>315</u>	<u>1,628</u>	<u>1,943</u>
Net increase (decrease) in cash and cash equivalents	21,671	-	21,671
Cash and cash equivalents at beginning of year	<u>30,806</u>	<u>-</u>	<u>30,806</u>
Cash and cash equivalents at end of year	<u>52,477</u>	<u>-</u>	<u>52,477</u>
<b>Reconciliation of operating gain (loss) to net cash used</b>			
<b>operating activities:</b>			
Operating gain (loss)	(63,048)	(38,858)	(101,906)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	8,669	-	8,669
Depreciation	2,068	802	2,870
Decrease (increase) in inventories	(167)	-	(167)
Decrease (increase) in accounts receivable	-	(1,361)	(1,361)
(Decrease) increase in accounts payable	-	247	247
(Decrease) increase in deferred revenue	(1,159)	-	(1,159)
Net cash used in operating activities	<u>(53,637)</u>	<u>(39,170)</u>	<u>(92,807)</u>

## NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Interest	704	185	-	-	889
Drama - HS	577	14	63	-	528
Drama - JH	88	-	-	-	88
Instrumental music	808	1,785	2,254	-	339
Band trip	32	-	-	-	32
Vocal music	(268)	-	60	-	(328)
Musical	1,144	1,605	1,378	-	1,371
Fiesta bowl	34	-	-	-	34
Golf	78	-	50	-	28
Annual	3,560	2,450	100	-	5,910
Art	553	-	-	-	553
JH cheerleaders	49	-	-	-	49
National Honor Society	591	708	772	-	527
Cheerleading	806	2,851	2,707	-	950
Home economics	(389)	-	-	-	(389)
HOSA	(2,588)	10,600	10,562	-	(2,550)
Secondary fundraiser	2,926	6,885	5,068	-	4,743
Library club	522	2,000	1,966	-	556
Class of 2001	(7)	-	-	-	(7)
Class of 2002	228	-	-	-	228
Class of 2003	322	-	-	-	322
Class of 2005	461	-	-	-	461
Class of 2006	101	-	-	-	101
Class of 2007	2,998	5,991	9,610	-	(621)
Class of 2008	1,850	8,453	7,958	50	2,395
Class of 2009	168	440	25	50	633
Class of 2010	193	205	60	-	338
Class of 2011	-	48	-	-	48
Class of 2012	-	13	-	100	113
Girls basketball camp	339	-	-	-	339
Volleyball camp	319	-	-	-	319
Concessions	7,966	9,014	7,855	-	9,125
Athletics	643	12,435	10,796	-	2,282
Industrial arts	1,035	-	-	-	1,035
Student council	3,664	2,601	4,556	(200)	1,509
Science club	21	-	-	-	21
Elementary fundraiser	8,447	3,569	9,107	-	2,909
Boys basketball	4,245	2,150	1,630	-	4,765
Football lights	240	-	-	-	240
Boys football	3,736	5,175	3,533	-	5,378
Weightlifting	508	31	-	-	539
Boys baseball	(245)	-	105	-	(350)

## NISHNA 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>
	\$	\$	\$	\$	\$
Boys track	(1,113)	1,688	546	-	29
Wrestling	14	-	-	-	14
Girls basketball	3,038	2,514	2,826	-	2,726
Girls volleyball	(1,147)	1,888	2,332	-	(1,591)
Girls softball	(2,047)	595	1,633	-	(3,085)
Girls track	(2,589)	1,609	762	-	(1,742)
Total	<u>42,615</u>	<u>87,502</u>	<u>88,314</u>	<u>-</u>	<u>41,803</u>

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

Year ended June 30, 2007

	<u>Faculty Fund</u> \$
Balance beginning of year	950
Additions:	
Collections	875
Deductions:	
Miscellaneous	<u>342</u>
Balance end of year	<u><u>1,483</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			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,642,601	1,502,049	1,384,584	1,467,845
Tuition	153,988	223,155	199,949	150,922
Other	173,316	200,292	142,756	143,378
State sources	890,380	1,048,515	896,967	717,555
Federal sources	152,043	123,640	103,469	106,562
	<u>3,012,328</u>	<u>3,097,651</u>	<u>2,727,725</u>	<u>2,586,262</u>
Expenditures:				
Instruction:				
Regular	1,199,188	1,227,146	1,165,363	1,078,537
Special	424,280	308,410	445,693	398,733
Other	368,672	372,237	256,587	254,211
Support services:				
Student	81,846	15,730	13,392	17,465
Instructional staff	45,397	22,545	45,251	42,566
Administration	377,710	344,598	345,628	343,749
Operation and maintenance of plant	305,505	273,365	227,501	214,761
Transportation	132,519	131,478	135,548	133,658
Non-instructional programs	-	-	-	3,348
Other expenditures:				
Facilities acquisition	225,719	2,562,434	142,969	55,382
Long-term debt:				
Principal	105,000	100,000	-	-
Interest and other charges	129,007	133,958	-	-
AEA flowthrough	82,672	81,036	80,813	80,500
	<u>3,477,515</u>	<u>5,572,937</u>	<u>2,858,745</u>	<u>2,622,910</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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 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 Nishna 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 Nishna Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nishna 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 Nishna 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 Nishna Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Nishna 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 Nishna 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, 07-I-B, 07-I-C, 07-I-D, 07-I-E, 07-I-F and 07-I-G 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 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.

Nishna 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 Nishna 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 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

March 28, 2008

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

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 and signing checks, 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 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.

07-I-B Financial Reporting: During the audit, we identified material amounts of revenues that were posted to the incorrect funds or to incorrect revenue accounts. Adjustments were subsequently made by the District to properly record these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all revenues are posted to the correct revenue accounts in the correct fund.

District Response: We will double check these in the future to avoid any misclassifications.

Conclusion: Response accepted.

07-I-C 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.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

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

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.

07-I-D Payroll Tax Reporting: We noted that during fiscal year 2007 the District paid \$5,048 to the Internal Revenue Service for interest and penalties and paid \$13,016 to Iowa Workforce Development for interest and penalties. The penalties and interest were assessed for late filing and payment of quarterly payroll tax reports.

Recommendation: The District should implement procedures to ensure that all required payroll reports are filed on time and to ensure that all required payroll tax and unemployment payments are paid when due.

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

Conclusion: Response accepted.

07-I-E Signature Stamp: We noted that a stamp bearing the signature of a previous Board President was used to sign several Student Activity Fund checks during the year. The stamp is available to the Board Secretary, the other co-singer of the checks. This practice negates the internal control procedure established by requiring two signatures on a check. Also, the previous Board President should no longer be an approved signature on the bank account.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will have the former president removed from the bank signature, and we will appoint someone to sign when the board president is not available.

Conclusion: Response accepted.

07-I-F Financial Reports to Board: We noted that the Board Secretary was not preparing a monthly financial statement for the board members and administration. To effectively govern, the board members and administration must have current financial information for all District funds.

Recommendation: A financial statement including balance sheet items, revenues and expenditures should be presented to the board at each monthly meeting.

District Response: Monthly financial data will be presented to the board.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

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

Conclusion: Response accepted.

07-I-G School Expenditure Supporting Documentation: We noted the following items during our testing of District expenditures:

General Fund – We tested twenty-four expenditures. The supporting documentation for two payments, totaling \$3,117 could not be located.

Capital Projects Construction Fund – We tested four expenditures. The supporting documentation for two payments totaling \$8,062 could not be located.

Physical Plant and Equipment Levy Fund – We tested three expenditures. The supporting documentation for one \$4,050 payment could not be located.

Student Activity Fund – We tested nine expenditures. The supporting documentation for two payments totaling \$315 could not be located.

Recommendation: All District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

District Response: We are in the process of reviewing our current invoice filing system and procedures for payments.

Conclusion: Response accepted.

Instances of Non-compliance:

No matters were reported.

NISHNA 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, exceeded the amounts budgeted in the instruction function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

07-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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 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.

Recommendation: All lists of approved bills should be a part of the official minutes.

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

Conclusion: Response accepted.

07-II-G Certified Enrollment: The calculation of supplemental weighting on Line 12 of the October 2006 Certified Enrollment Form included five 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.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

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

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 (CAR): The Certified Annual Report was certified to the Iowa Department of Education after the due date.

Recommendation: In the future, the District should ensure the Certified Annual Report is timely certified to the Iowa Department of Education.

District Response: We will do so in the future.

Conclusion: Response accepted.

07-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.

07-II-K Deficit Balances: The General Fund has a deficit unreserved fund balance of \$35,003 and the Daycare Center Fund has a deficit unrestricted net assets balance of \$36,428 at June 30, 2007. The Student Activity Fund also has several accounts with deficit balances at June 30, 2007.

Recommendation: The District should continue to monitor these funds and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

07-II-L 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.