

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District, Greenfield, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated May 7, 2010, on our consideration of Nodaway Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 13 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nodaway Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008, (which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

May 7, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nodaway Valley CSD provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,197,497 in fiscal 2008 to \$6,525,056 in fiscal 2009, while General Fund expenditures increased from \$6,646,594 in fiscal 2008 to \$7,153,640 in fiscal 2009. The District's General Fund balance decreased from \$512,796 in fiscal 2008 to \$(118,688) in fiscal 2009, a 123% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in State and Federal grant revenue and other miscellaneous income in fiscal 2009. The increase in expenditures was due to increased salaries and benefits, increased energy costs, and increased tuition expenses.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Nodaway Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

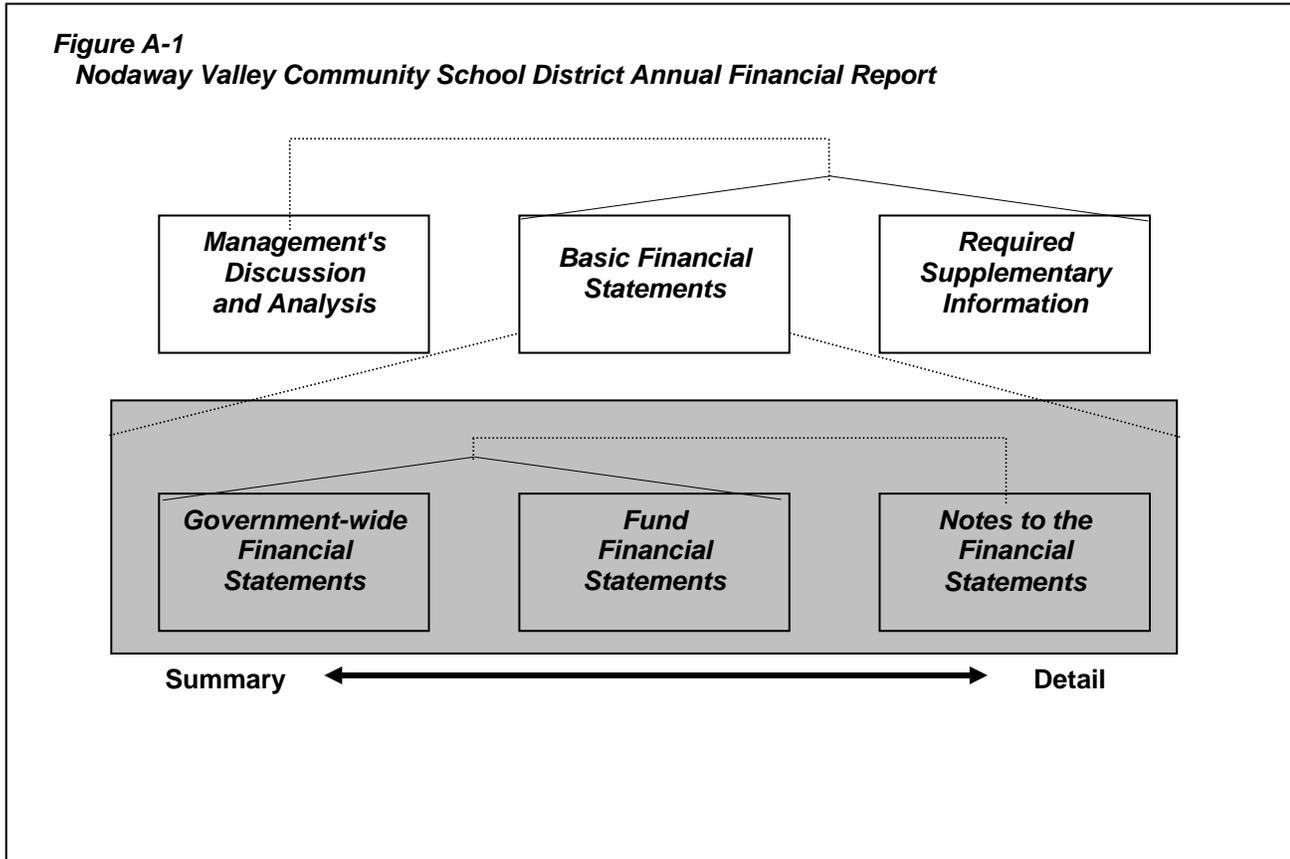


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2008	2009	2008	2009	2008	2009	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,327,705	6,474,811	2,195	32,047	5,329,900	6,506,858	22%
Capital assets	5,693,390	6,423,243	32,656	24,776	5,726,046	6,448,019	13%
Total assets	11,021,095	12,898,054	34,851	56,823	11,055,946	12,954,877	17%
Long-term liabilities	2,515,500	2,145,000	-	-	2,515,500	2,145,000	-15%
Other liabilities	3,043,038	5,458,059	5,575	5,461	3,048,613	5,463,520	79%
Total liabilities	5,558,538	7,603,059	5,575	5,461	5,564,113	7,608,520	37%
Net Assets:							
Invested in capital assets, net of related debt	4,253,390	4,304,468	32,656	24,776	4,286,046	4,329,244	1%
Restricted	506,268	994,966	-	-	506,268	994,966	97%
Unrestricted	702,899	(4,439)	(3,380)	26,586	699,519	22,147	-97%
TOTAL NET ASSETS	5,462,557	5,294,995	29,276	51,362	5,491,833	5,346,357	-3%

The District's combined net assets decreased by nearly 3%, or approximately \$145,476, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$488,698 over the prior year. Most of this increase is due to sales tax revenues that were collected, but not spent in fiscal year 2009.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$677,372.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	
Revenues							
Program Revenues:							
Charges for services	437,581	439,793	199,695	210,912	637,276	650,705	2%
Operating grants & contributions	928,523	1,086,484	148,116	177,742	1,076,639	1,264,226	17%
Capital grants & contributions	-	17,132	-	-	-	17,132	100%
General Revenues:							
Property taxes	2,453,959	2,519,754	-	-	2,453,959	2,519,754	3%
Income Surtax	219,714	241,981	-	-	219,714	241,981	10%
Statewide sales tax	395,275	413,214	-	-	395,275	413,214	5%
Unrestricted state grants	3,048,773	2,950,385	-	-	3,048,773	2,950,385	-3%
ARRA Stabilization	-	59,896	-	-	-	59,896	100%
Unrestricted investment earnings	32,580	17,314	106	2,742	32,686	20,056	-39%
Loss on disposal of capital asset	(25,470)	(29,723)	-	(1,666)	(25,470)	(31,389)	-23%
Other revenue	17,216	13,805	-	-	17,216	13,805	-20%
Total Revenues	7,508,151	7,730,035	347,917	389,730	7,856,068	8,119,765	3%
Expenses:							
Instruction	4,667,145	4,988,833	-	-	4,667,145	4,988,833	7%
Support services	2,211,475	2,295,802	-	-	2,211,475	2,295,802	4%
Non-instructional programs	3,047	3,257	352,104	370,644	355,151	373,901	5%
Other expenditures	613,046	606,705	-	-	613,046	606,705	-1%
Total expenses	7,494,713	7,894,597	352,104	370,644	7,846,817	8,265,241	5%
Change in net assets before transfers	13,438	(164,562)	(4,187)	19,086	9,251	(145,476)	-1473%
Transfers	-	(3,000)	-	3,000	-	-	0%
CHANGE IN NET ASSETS	13,438	(167,562)	(4,187)	22,086	9,251	(145,476)	-1473%
Net assets beginning of year	5,449,119	5,462,557	33,463	29,276	5,482,582	5,491,833	<1%
Net assets end of year	5,462,557	5,294,995	29,276	51,362	5,491,833	5,346,357	-3%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,730,035 and expenses were \$7,894,597.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2008	Total Cost of Services 2009	Net Cost of Services 2008	Net Cost of Services 2009
	\$	\$	\$	\$
Instruction	4,667,145	4,988,833	3,599,136	3,736,813
Support Services	2,211,475	2,295,802	2,167,153	2,284,060
Non-instructional Programs	3,047	3,257	3,047	3,257
Other Expenses	613,046	606,705	359,273	327,058
TOTAL	7,494,713	7,894,597	6,128,609	6,351,188

- The cost financed by users of the District's programs was \$439,793.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,086,484.
- The net cost of governmental activities was financed with \$3,174,949 in property and other taxes and \$2,950,385 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$389,730 and expenses were \$370,644. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Nodaway Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$839,996, a decrease of \$1,258,645 below last year's ending fund balances of \$2,098,641.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Expenditures were \$507,046 more in 2009 than in 2008, revenues were \$628,584 less than expenditures.
- The General Fund balance decreased from \$512,796 to \$(118,688).

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$72,818 in fiscal 2008 to \$34,014 in fiscal 2009, a change of \$38,804.
- The Debt Service Fund balance increased \$977 in 2009. The District ended fiscal 2009 with a balance of \$65,713.
- The Capital Projects Fund is used to account for revenue and expenditures for Local Option Sales and Services Tax the District began receiving in 2005. The tax may be used for infrastructure, major equipment purchases, and debt reduction. Fund balance at the end of fiscal year 2009 was \$714,551. The district contracted with Energy Services Group to conduct an energy survey and make recommendations. The district completed Phase I of the energy improvements that were recommended by Energy Services Group. \$1,015,000 in Local Option Sales and Services Tax Revenue Bonds were sold to allow for these energy improvement projects. Phase II of the energy improvements began and \$1,045,000 in Local Option Sales and Service Tax Revenue Bonds were sold to allow for these energy improvement projects.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$29,276 at June 30, 2008 to \$51,362 at June 30, 2009, representing an increase of approximately 75%.

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

BUDGETARY HIGHLIGHTS

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$6,448,019, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6). More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$300,990.

The largest change occurred in the construction in progress area. The District has committed approximately \$512,000 to complete the projects.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2008-2009
	Activities		Activities		School District		
	2008	2009	2008	2009	2008	2009	
	\$	\$	\$	\$	\$	\$	
Land	38,401	38,401	-	-	38,401	38,401	0%
Construction in Progress	-	632,603	-	-	-	632,603	100%
Buildings	4,456,756	4,306,139	-	-	4,456,756	4,306,139	-3%
Improvements	583,829	662,363	-	-	583,829	662,363	13%
Equipment & Furniture	614,404	783,737	32,656	24,776	647,060	808,513	25%
TOTAL	5,693,390	6,423,243	32,656	24,776	5,726,046	6,448,019	13%

Long-Term Debt

At June 30, 2009, the District had \$2,145,000 in general obligation bonds, sales tax revenue bonds and termination benefits outstanding. This represents an increase of approximately -15% from last year. (See Figure A-7). Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total School District		Percentage Change 2008-2009
	2008	2009	
	\$	\$	
General obligation bonds	1,440,000	1,110,000	-23%
Sales tax revenue bonds	1,015,000	1,015,000	0%
Termination benefits	60,500	20,000	-67%
Total	2,515,500	2,145,000	-15%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2008 enrollment decreased by 19 students. The District's October 2009 enrollment decreased by 16 students.
- The District will be able to do major infrastructure repairs and replacement due to the local option sales tax. Energy Services Group has been contracted to conduct an energy audit and make recommendations. The District completed Phase I projects and began Phase II of the energy improvement projects.

- Instructional Support Levy has played a vital role in keeping the District solvent. The Board renewed the levy for five years on August 14, 2006.
- Due to safety and precautions, the District will continue a normal replacement of the District's transportation vehicles. To pay for these vehicles, the District will use a combination of resources from the General Fund, Capital Projects Fund and the Physical Plant and Equipment Levy.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharon Cox, District Secretary, Nodaway Valley Community School District, 410 NW Second Street, Greenfield, Iowa, 50849. Phone 641-743-6127.

BASIC FINANCIAL STATEMENTS

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	1,910,509	-	1,910,509
Other	1,575,713	23,048	1,598,761
Receivables:			
Property tax:			
Delinquent	42,130	-	42,130
Succeeding year	2,607,797	-	2,607,797
Accounts	7,386	363	7,749
Accrued interest - ISCAP	7,191	-	7,191
Due from other governments	324,085	-	324,085
Inventories	-	8,636	8,636
Capital assets, net of accumulated depreciation	<u>6,423,243</u>	<u>24,776</u>	<u>6,448,019</u>
Total assets	<u>12,898,054</u>	<u>56,823</u>	<u>12,954,877</u>
Liabilities			
Accounts payable	225,067	85	225,152
Salaries and benefits payable	661,412	1,085	662,497
Accrued interest payable	19,741	-	19,741
Deferred revenue:			
Succeeding year property tax	2,607,797	-	2,607,797
Other	20,611	4,291	24,902
ISCAP warrants payable	1,883,000	-	1,883,000
ISCAP accrued interest payable	10,443	-	10,443
ISCAP premium	29,988	-	29,988
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	120,000	-	120,000
Revenue bonds payable	155,000	-	155,000
Termination benefits	20,000	-	20,000
Portion due after one year:			
General obligation bonds payable	990,000	-	990,000
Revenue bonds payable	<u>860,000</u>	<u>-</u>	<u>860,000</u>
Total liabilities	<u>7,603,059</u>	<u>5,461</u>	<u>7,608,520</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets			
Invested in capital assets, net of related debt	4,304,468	24,776	4,329,244
Restricted for:			
Categorical funding	82,248	-	82,248
Management levy	117,833	-	117,833
Physical plant and equipment levy	34,014	-	34,014
Other special revenue purposes	6,573	-	6,573
Sales tax capital projects	536,908	-	536,908
Debt service	217,390	-	217,390
Unrestricted	<u>(4,439)</u>	<u>26,586</u>	<u>22,147</u>
Total net assets	<u><u>5,294,995</u></u>	<u><u>51,362</u></u>	<u><u>5,346,357</u></u>

Nodaway Valley Community School District

Statement of Activities

Year ended June 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,864,365	212,525	657,744	-
Special	857,693	24,401	39,286	-
Other	1,266,775	191,834	126,230	-
	<u>4,988,833</u>	<u>428,760</u>	<u>823,260</u>	<u>-</u>
Support services:				
Student	52,152	-	-	-
Instructional staff	271,782	-	-	-
Administration	820,304	-	-	-
Operation and maintenance of plant	731,115	3,617	-	-
Transportation	420,449	7,416	709	-
	<u>2,295,802</u>	<u>11,033</u>	<u>709</u>	<u>-</u>
Non-instructional programs	<u>3,257</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	53,515	-	-	17,132
Long-term debt interest	82,329	-	904	-
AEA flowthrough	261,611	-	261,611	-
Depreciation (unallocated)*	209,250	-	-	-
	<u>606,705</u>	<u>-</u>	<u>262,515</u>	<u>17,132</u>
Total governmental activities	<u>7,894,597</u>	<u>439,793</u>	<u>1,086,484</u>	<u>17,132</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>370,644</u>	<u>210,912</u>	<u>177,742</u>	<u>-</u>
Total	<u>8,265,241</u>	<u>650,705</u>	<u>1,264,226</u>	<u>17,132</u>

General Revenues:

Property taxes levied for:
 General purposes
 Debt service
 Capital outlay
 Income surtax
 Statewide sales and services tax
 Unrestricted state grants
 ARRA Stabilization
 Unrestricted investment earnings
 Loss on disposal of capital asset
 Other

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,994,096)	-	(1,994,096)
(794,006)	-	(794,006)
(948,711)	-	(948,711)
<u>(3,736,813)</u>	<u>-</u>	<u>(3,736,813)</u>
(52,152)	-	(52,152)
(271,782)	-	(271,782)
(820,304)	-	(820,304)
(727,498)	-	(727,498)
(412,324)	-	(412,324)
<u>(2,284,060)</u>	<u>-</u>	<u>(2,284,060)</u>
<u>(3,257)</u>	<u>-</u>	<u>(3,257)</u>
(36,383)	-	(36,383)
(81,425)	-	(81,425)
-	-	-
<u>(209,250)</u>	<u>-</u>	<u>(209,250)</u>
<u>(327,058)</u>	<u>-</u>	<u>(327,058)</u>
<u>(6,351,188)</u>	<u>-</u>	<u>(6,351,188)</u>
-	18,010	18,010
<u>(6,351,188)</u>	<u>18,010</u>	<u>(6,333,178)</u>
2,080,357	-	2,080,357
379,314	-	379,314
60,083	-	60,083
241,981	-	241,981
413,214	-	413,214
2,950,385	-	2,950,385
59,896	-	59,896
17,314	2,742	20,056
(29,723)	(1,666)	(31,389)
13,805	-	13,805
<u>6,186,626</u>	<u>1,076</u>	<u>6,187,702</u>
<u>(3,000)</u>	<u>3,000</u>	<u>-</u>
<u>6,183,626</u>	<u>4,076</u>	<u>6,187,702</u>
(167,562)	22,086	(145,476)
<u>5,462,557</u>	<u>29,276</u>	<u>5,491,833</u>
<u>5,294,995</u>	<u>51,362</u>	<u>5,346,357</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	1,910,509	-	-	1,910,509
Other	457,910	877,293	234,083	1,569,286
Receivables:				
Property tax:				
Delinquent	32,148	-	9,982	42,130
Succeeding year	2,181,069	-	426,728	2,607,797
Accounts	6,908	-	478	7,386
Accrued interest - ISCAP	7,191	-	-	7,191
Due from other governments	268,983	55,102	-	324,085
Total assets	<u>4,864,718</u>	<u>932,395</u>	<u>671,271</u>	<u>6,468,384</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	6,813	217,844	410	225,067
Salaries and benefits payable	661,412	-	-	661,412
ISCAP warrants payable	1,883,000	-	-	1,883,000
ISCAP accrued interest payable	10,443	-	-	10,443
ISCAP premium	29,988	-	-	29,988
Deferred revenue:				
Succeeding year property tax	2,181,069	-	426,728	2,607,797
Income surtax	190,070	-	-	190,070
Other	20,611	-	-	20,611
Total liabilities	<u>4,983,406</u>	<u>217,844</u>	<u>427,138</u>	<u>5,628,388</u>
Fund balances:				
Reserved for:				
Categorical funding	82,248	-	-	82,248
Debt service	-	171,418	65,713	237,131
Unreserved reported in:				
General fund	(200,936)	-	-	(200,936)
Special revenue funds	-	-	178,420	178,420
Capital projects funds	-	543,133	-	543,133
Total fund balances	<u>(118,688)</u>	<u>714,551</u>	<u>244,133</u>	<u>839,996</u>
Total liabilities and fund balances	<u>4,864,718</u>	<u>932,395</u>	<u>671,271</u>	<u>6,468,384</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

\$

Total fund balances of governmental funds (Exhibit C)	839,996
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,423,243
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	190,070
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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.	(19,741)
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An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program (and/or employee flexible benefit program) to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	6,427
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Long-term liabilities, including bonds payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,145,000)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>5,294,995</u></u>
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NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,158,900	413,214	599,239	3,171,353
Tuition	157,308	-	-	157,308
Other	113,445	17,132	201,073	331,650
State sources	3,845,718	-	448	3,846,166
Federal sources	249,685	-	-	249,685
Total revenues	<u>6,525,056</u>	<u>430,346</u>	<u>800,760</u>	<u>7,756,162</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,824,144	-	76,910	2,901,054
Special	857,693	-	-	857,693
Other	1,079,105	-	187,443	1,266,548
	<u>4,760,942</u>	<u>-</u>	<u>264,353</u>	<u>5,025,295</u>
Support services:				
Student	51,428	-	724	52,152
Instructional staff	271,058	-	724	271,782
Administration	800,418	-	19,886	820,304
Operation and maintenance of plant	686,669	-	43,443	730,112
Transportation	321,514	-	49,658	371,172
	<u>2,131,087</u>	<u>-</u>	<u>114,435</u>	<u>2,245,522</u>
Non-instructional programs	-	-	3,257	3,257
Other expenditures:				
Facilities acquisition	-	1,008,775	70,782	1,079,557
Long-term debt:				
Principal	-	-	330,000	330,000
Interest and fiscal charges	-	-	66,665	66,665
AEA flowthrough	261,611	-	-	261,611
	<u>261,611</u>	<u>1,008,775</u>	<u>467,447</u>	<u>1,737,833</u>
Total expenditures	<u>7,153,640</u>	<u>1,008,775</u>	<u>849,492</u>	<u>9,011,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(628,584)</u>	<u>(578,429)</u>	<u>(48,732)</u>	<u>(1,255,745)</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Sales of materials and equipment	100	-	-	100
Operating transfers in	-	-	17,144	17,144
Operating transfers out	(3,000)	(17,144)	-	(20,144)
Total other financing sources (uses)	<u>(2,900)</u>	<u>(17,144)</u>	<u>17,144</u>	<u>(2,900)</u>
Net change in fund balances	(631,484)	(595,573)	(31,588)	(1,258,645)
Fund balances beginning of year	<u>512,796</u>	<u>1,310,124</u>	<u>275,721</u>	<u>2,098,641</u>
Fund balances end of year	<u><u>(118,688)</u></u>	<u><u>714,551</u></u>	<u><u>244,133</u></u>	<u><u>839,996</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	
		\$
Net change in fund balances - total governmental funds (Exhibit E)		(1,258,645)

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

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

Loss on disposal of capital assets	(29,823)	
Expenditures for capital assets	1,054,452	
Depreciation expense	<u>(294,776)</u>	729,853

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.	3,596
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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.	330,000
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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.	(15,664)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	40,500
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An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>2,798</u>
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Changes in net assets of governmental activities (Exhibit B)	<u><u>(167,562)</u></u>
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NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Nonmajor School Nutrition</u>	<u>Service Fund</u>
	\$	\$
Assets		
Cash and cash equivalents	23,048	6,427
Accounts receivable	363	-
Inventories	8,636	-
Capital assets, net of accumulated depreciation	<u>24,776</u>	<u>-</u>
Total assets	<u><u>56,823</u></u>	<u><u>6,427</u></u>
Liabilities		
Accounts payable	85	-
Salaries and benefits payable	1,085	-
Deferred revenue	<u>4,291</u>	<u>-</u>
Total liabilities	<u>5,461</u>	<u>-</u>
Net assets		
Invested in capital assets	24,776	-
Unrestricted	<u>26,586</u>	<u>6,427</u>
Total net assets	<u><u>51,362</u></u>	<u><u>6,427</u></u>

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

Year ended June 30, 2009

	Enterprise Fund Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Operating revenues:		
Local sources:		
Charges for service	210,912	20,811
Operating expenses:		
Non-instructional programs:		
Salaries	138,260	-
Benefits	24,163	18,013
Purchased services	2,237	-
Supplies	199,770	-
Depreciation	6,214	-
Total operating expenses	370,644	18,013
Operating gain (loss)	(159,732)	2,798
Non-operating revenues:		
State sources	4,458	-
Federal sources	173,284	-
Interest income	2,742	-
Loss on disposal of capital assets	(1,666)	-
Total non-operating revenues	178,818	-
Gain (loss) before transfers	19,086	2,798
Transfers in	3,000	-
Change in net assets	22,086	2,798
Net assets beginning of year	29,276	3,629
Net assets end of year	51,362	6,427

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	212,888	-
Cash received from services	-	20,811
Cash payments to employees for services	(163,030)	-
Cash payments to suppliers for goods or services	(182,094)	(18,013)
Net cash (used by) provided by operating activities	<u>(132,236)</u>	<u>2,798</u>
Cash flows from non-capital financing activities:		
Transfers from other funds	3,000	-
State grants received	4,458	-
Federal grants received	151,372	-
Net cash provided by non-capital financing activities	<u>158,830</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Loan from (repaid to) other funds	<u>(6,000)</u>	<u>(1,000)</u>
Cash flows from investing activities:		
Interest on investments	<u>2,742</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	23,336	1,798
Cash and cash equivalents at beginning of year	<u>(288)</u>	<u>4,629</u>
Cash and cash equivalents at end of year	<u><u>23,048</u></u>	<u><u>6,427</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(159,732)	2,798
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	21,912	-
Depreciation	6,214	-
Decrease (increase) in inventories	(1,999)	-
Decrease (increase) in accounts receivable	1,195	-
(Decrease) increase in accounts payable	85	-
(Decrease) increase in salaries and benefits payable	(692)	-
(Decrease) increase in deferred revenue	781	-
Net cash (used by) provided by operating activities	<u>(132,236)</u>	<u>2,798</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$21,912 of federal commodities.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable 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 instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

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 the 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	10-20 years
Furniture and equipment	5-15 years

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

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 receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	\$
Diversified Portfolio	<u>919</u>

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

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor – Debt Service Fund	Capital Projects Fund	17,144
Nonmajor – School Nutrition Fund	General Fund	3,000

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

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09B	1/21/09	1/21/10	774,807	7,051	765,000	10,060
2009-10A	6/25/09	6/23/10	1,135,702	140	1,118,000	383
Total			1,910,509	7,191	1,883,000	10,443

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	200,000	200,000	-

The warrants bear interest rate and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u> %	<u>Interest Rates on Investments</u> %
2008-09B	3.000	2.110
2009-10A	2.500	0.902

5. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year</u> \$	<u>Increases</u> \$	<u>Decreases</u> \$	<u>Balance End of Year</u> \$
Governmental activities:				
Land	38,401	-	-	38,401
Construction in progress	-	632,603	-	632,603
Total capital assets not being deprec.	<u>38,401</u>	<u>632,603</u>	<u>-</u>	<u>671,004</u>
Capital assets being depreciated:				
Buildings	7,326,074	3,558	-	7,329,632
Improvements other than buildings	837,831	115,961	-	953,792
Furniture and equipment	1,299,778	302,330	29,823	1,572,285
Total capital assets being deprec.	<u>9,463,683</u>	<u>421,849</u>	<u>29,823</u>	<u>9,855,709</u>
Less accumulated depreciation for:				
Buildings	2,869,318	154,175	-	3,023,493
Improvements other than buildings	254,002	37,427	-	291,429
Furniture and equipment	685,374	103,174	-	788,548
Total accumulated depreciation	<u>3,808,694</u>	<u>294,776</u>	<u>-</u>	<u>4,103,470</u>
Total capital assets being depreciated, net	<u>5,654,989</u>	<u>127,073</u>	<u>29,823</u>	<u>5,752,239</u>
Governmental activities capital assets, net	<u>5,693,390</u>	<u>759,676</u>	<u>29,823</u>	<u>6,423,243</u>
	<u>Balance Beginning of Year</u> \$	<u>Increases</u> \$	<u>Decreases</u> \$	<u>Balance End of Year</u> \$
Business type activities:				
Furniture and equipment	174,682	-	2,159	172,523
Less accumulated depreciation	<u>142,026</u>	<u>6,214</u>	<u>493</u>	<u>147,747</u>
Business type activities capital assets, net	<u>32,656</u>	<u>(6,214)</u>	<u>1,666</u>	<u>24,776</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	6,609
Other	4,837
Support services:	
Operation and maintenance of plant services	1,003
Transportation	<u>73,077</u>
	85,526
Unallocated depreciation	<u>209,250</u>
Total depreciation expense – governmental activities	<u>294,776</u>
Business type activities:	
Food services	<u>6,214</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	1,440,000	-	330,000	1,110,000	120,000
Sales tax revenue bonds	1,015,000	-	-	1,015,000	155,000
Termination benefits	60,500	20,000	60,500	20,000	20,000
Total	<u>2,515,500</u>	<u>20,000</u>	<u>390,500</u>	<u>2,145,000</u>	<u>295,000</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and was limited to three employees for fiscal year 2009.

Early retirement benefits are equal to the difference between Step 4BA on the salary schedule and the employee's current salary without supplemental or extended contract pay.

Early retirement benefits will be paid in one lump sum in July, following the month of retirement.

At June 30, 2009, the District has obligations to one participant with a total liability of \$20,000. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$60,500.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Bridgewater-Fontanelle 2005 Refunding Bond Issue				
<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	%	\$	\$	\$
2010	3.20	120,000	39,874	159,874
2011	3.3	125,000	36,034	161,034
2012	3.4	125,000	31,909	156,909
2013	3.5	125,000	27,659	152,659
2014	3.6	130,000	23,284	153,284
2015-2018	3.7-4.0	485,000	45,642	530,642
Total		<u>1,110,000</u>	<u>204,402</u>	<u>1,314,402</u>

Revenue Bonds Payable

Details of the District's June 30, 2009 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of June 2008				
<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	%	\$	\$	\$
2010	3.0	155,000	30,704	185,704
2011	3.0	160,000	26,214	186,214
2012	3.0	165,000	21,254	186,254
2013	3.0	170,000	15,808	185,808
2014	3.0	180,000	9,810	189,810
2015	3.0	185,000	3,330	188,330
		<u>1,015,000</u>	<u>107,120</u>	<u>1,122,120</u>

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$1,015,000 bonds issued in June 2008. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 46% of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,122,120. For the current year, no principal and \$16,782 of interest was paid on the bonds and total local option (statewide) sales and services tax revenues were \$413,214

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- Proceeds from the local option (statewide) sales and services tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose for which the local option (statewide) sales tax may be used. The sinking fund is part of the Capital Projects Fund.

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 that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$267,557, \$251,262, and \$219,252 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 \$261,611 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into contracts totaling \$1,138,268 for construction. As of June 30, 2009 costs of \$626,681 had been incurred against the contracts. The balances remaining at June 30, 2009 will be paid as work on the project progresses.

11. Deficit Fund Balance

The General Fund has a \$200,936 deficit unreserved fund balance at June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,660,311	213,654	3,873,965	3,896,209	3,896,209	(22,244)
Intermediate sources	-	-	-	13,000	13,000	(13,000)
State sources	3,846,166	4,458	3,850,624	3,906,079	3,906,079	(55,455)
Federal sources	249,685	173,284	422,969	329,000	329,000	93,969
Total revenues	<u>7,756,162</u>	<u>391,396</u>	<u>8,147,558</u>	<u>8,144,288</u>	<u>8,144,288</u>	<u>3,270</u>
Expenditures/Expenses:						
Instruction	5,025,295	-	5,025,295	5,068,130	5,068,130	42,835
Support services	2,245,522	-	2,245,522	3,638,150	3,638,150	1,392,628
Non-instructional programs	3,257	372,310	375,567	378,000	378,000	2,433
Other expenditures	1,737,833	-	1,737,833	1,589,823	1,589,823	(148,010)
Total expenditures/expenses	<u>9,011,907</u>	<u>372,310</u>	<u>9,384,217</u>	<u>10,674,103</u>	<u>10,674,103</u>	<u>1,289,886</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,255,745)	19,086	(1,236,659)	(2,529,815)	(2,529,815)	1,293,156
Other financing sources (uses) net	<u>(2,900)</u>	<u>3,000</u>	<u>100</u>	<u>17,000</u>	<u>17,000</u>	<u>(16,900)</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses	(1,258,645)	22,086	(1,236,559)	(2,512,815)	(2,512,815)	1,276,256
Balance beginning of year	<u>2,098,641</u>	<u>29,276</u>	<u>2,127,917</u>	<u>1,707,523</u>	<u>1,707,523</u>	<u>420,394</u>
Balance end of year	<u><u>839,996</u></u>	<u><u>51,362</u></u>	<u><u>891,358</u></u>	<u><u>(805,292)</u></u>	<u><u>(805,292)</u></u>	<u><u>1,696,650</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the year ended June 30, 2009, expenditures exceeded the amount budgeted in the other expenditures function.

OTHER SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	\$
Cash and pooled investments	135,158	6,505	33,027	59,393	234,083
Receivables:					
Property tax:					
Delinquent	2,675	-	987	6,320	9,982
Succeeding year	203,999	-	62,455	160,274	426,728
Accounts	-	478	-	-	478
Total assets	341,832	6,983	96,469	225,987	671,271
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	410	-	-	410
Deferred revenue:					
Succeeding year property tax	203,999	-	62,455	160,274	426,728
Total liabilities	203,999	410	62,455	160,274	427,138
Fund balances:					
Reserved for debt service	-	-	-	65,713	65,713
Unreserved reported in:					
Special revenue funds	137,833	6,573	34,014	-	178,420
Total fund balances	137,833	6,573	34,014	65,713	244,133
Total liabilities and fund balances	341,832	6,983	96,469	225,987	671,271

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	Levy	\$	\$
Revenues:					
Local sources:					
Local tax	159,842	-	60,083	379,314	599,239
Other	14,678	184,646	845	904	201,073
State sources	123	-	45	280	448
Total revenues	<u>174,643</u>	<u>184,646</u>	<u>60,973</u>	<u>380,498</u>	<u>800,760</u>
Expenditures:					
Current:					
Instruction:					
Regular	76,910	-	-	-	76,910
Other	-	182,833	4,610	-	187,443
Support services:					
Student	724	-	-	-	724
Instructional staff	724	-	-	-	724
Administration	19,886	-	-	-	19,886
Operation and maintenance of plant	42,858	-	585	-	43,443
Transportation	25,858	-	23,800	-	49,658
Non-instructional programs	3,257	-	-	-	3,257
Other expenditures:					
Facilities acquisition	-	-	70,782	-	70,782
Long-term debt:					
Principal	-	-	-	330,000	330,000
Interest and fiscal charges	-	-	-	66,665	66,665
Total expenditures	<u>170,217</u>	<u>182,833</u>	<u>99,777</u>	<u>396,665</u>	<u>849,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,426</u>	<u>1,813</u>	<u>(38,804)</u>	<u>(16,167)</u>	<u>(48,732)</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	17,144	17,144
Net change in fund balances	4,426	1,813	(38,804)	977	(31,588)
Fund balances beginning of year	<u>133,407</u>	<u>4,760</u>	<u>72,818</u>	<u>64,736</u>	<u>275,721</u>
Fund balances end of year	<u><u>137,833</u></u>	<u><u>6,573</u></u>	<u><u>34,014</u></u>	<u><u>65,713</u></u>	<u><u>244,133</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End
	Beginnig of Year				of Year
	\$	\$	\$	\$	\$
Drama	1,077	2,447	3,322	-	202
Vocal music	3,064	6,736	8,244	-	1,556
Band	(13)	18,307	8,580	-	9,714
Scoreboard fund	2,117	3,600	420	-	5,297
Basketball	16,813	11,111	8,545	-	19,379
Coed soccer	(9,416)	5,222	5,591	-	(9,785)
Baseball-softball	(20,387)	5,512	7,377	-	(22,252)
Track	(4,999)	9,294	11,516	-	(7,221)
Track repair-fund	167	-	-	-	167
Golf	71	449	1,532	-	(1,012)
Bowling	-	-	500	-	(500)
Football	2,841	19,891	32,104	-	(9,372)
Wrestling	66	8,695	11,290	-	(2,529)
Volleyball	2,696	8,216	7,801	-	3,111
Dance team	993	2,861	3,088	-	766
Cheerleading	162	1,312	939	-	535
FFA	4,061	21,365	22,987	-	2,439
National Honor Society	(428)	-	398	-	(826)
Student council	912	2,802	2,963	-	751
FBLA	190	-	-	(190)	-
Activity ticket	(1,015)	9,355	5,453	3,149	6,036
Girls basketball camp	402	1,802	571	-	1,633
Juice and pop machine	6	557	-	-	563
History books	(5,512)	160	-	-	(5,352)
Yearbook middle school	2,128	720	531	-	2,317
Yearbook	4,310	13,329	12,407	-	5,232
Swing choir trip	181	-	-	-	181
Entrepreneur fund	3	-	-	(3)	-
NV boys basketball camps fund	64	1,038	1,045	-	57
MS student council	745	11,070	7,608	-	4,207
Spanish trip	2	-	-	-	2
Class of 2004	18	-	1	(17)	-
Class of 2005	1,067	-	-	(1,067)	-
Class of 2006	2,713	-	-	(2,713)	-
Class of 2007	87	-	-	(87)	-
Class of 2008	(1,301)	-	147	1,448	-
Class of 2009	1,153	259	891	(520)	1
Class of 2010	(104)	17,916	16,275	-	1,537
Class of 2011	(174)	450	384	-	(108)
Class of 2012	-	170	323	-	(153)
Total	4,760	184,646	182,833	-	6,573

See accompanying independent auditor's report.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	3,171,353	3,039,974	3,025,752	2,927,106	2,926,431	2,597,762
Tuition	157,308	137,680	157,706	125,053	127,338	99,421
Other	331,650	347,326	353,245	495,234	259,834	226,266
Intermediate sources	-	-	-	103	-	-
State sources	3,846,166	3,791,546	3,446,890	3,426,585	3,383,312	3,347,324
Federal sources	249,685	183,982	186,358	191,085	202,301	220,322
Total revenues	<u>7,756,162</u>	<u>7,500,508</u>	<u>7,169,951</u>	<u>7,165,166</u>	<u>6,899,216</u>	<u>6,491,095</u>
Expenditures:						
Instruction:						
Regular	2,901,054	2,769,469	2,303,741	2,153,852	2,353,831	2,221,520
Special	857,693	792,189	818,833	729,609	997,283	997,607
Other	1,266,548	1,053,215	943,112	1,038,156	610,754	600,342
Support services:						
Student	52,152	79,660	75,520	85,252	77,039	73,845
Instructional staff	271,782	219,251	247,715	201,143	141,386	111,671
Administration	820,304	818,182	807,012	731,596	772,778	693,256
Operation and maintenance	730,112	689,551	668,638	630,562	504,911	450,698
Transportation	371,172	403,514	483,665	344,023	318,494	292,086
Non-instructional programs	3,257	3,047	2,764	2,492	2,310	2,337
Other expenditures:						
Facilities acquisition	1,079,557	394,867	114,925	511,367	175,248	15,807
Long-term debt:						
Principal	330,000	365,000	1,650,000	335,000	320,000	285,000
Interest and other charges	66,665	59,306	128,612	146,001	109,314	145,128
AEA flowthrough	261,611	252,005	242,400	237,121	237,625	240,419
Total expenditures	<u>9,011,907</u>	<u>7,899,256</u>	<u>8,486,937</u>	<u>7,146,174</u>	<u>6,620,973</u>	<u>6,129,716</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 7, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nodaway Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Nodaway Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nodaway Valley Community School District's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-I-A and 09-I-B are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nodaway Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Nodaway Valley Community School District and other parties to whom Nodaway Valley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Nodaway Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

May 7, 2010

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the other expenditures 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.

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

09-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.

09-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Clint Hight, board member, athletic official	Athletic official	450

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500.

09-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.

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

09-II-G Certified Enrollment: The supplemental weighting on Line 12 of the Certified Enrollment Certification Form for October 2008, included an open enrollment in student.

Recommendation: The District should review its procedures for compiling the lists of students used to calculate supplemental enrollment. Only resident students should be included.

District Response: We will review our procedures.

Conclusion: Response accepted.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

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

09-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.

09-II-I Certified Annual Report: The Certified Annual Report was certified timely to the Iowa Department of Education.

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

	\$	
Beginning balance		-
Statewide sales and services tax revenue		413,214
Expenditures/transfers out:		
Debt service for school infrastructure:		
Revenue debt		17,144
		<hr/>
Ending balance		396,070
		<hr/>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

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

09-II-L Financial Condition: The General Fund has a \$200,936 deficit fund balance at June 30, 2009. Also, the Special Revenue, Student Activity Fund has several accounts with deficit balances at June 30, 2009.

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.