

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Notes to Financial Statements		23-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/ Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Student Activity Accounts	3	38
Schedule of Changes in Assets and Liabilities - Agency Fund	4	39
Combining Balance Sheet for Capital Project Funds	5	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Project Funds	6	41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		43-44
Schedule of Findings		45-48

Nishna Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Scott Hillyer	President	2008
Janet Crouse	Vice President	2008
Gary Johnson	Board Member	2009
Robert Erickson	Board Member	2010
Matthew Perkins	Board Member	2010
<b>Board of Education (After September 2008 Election)</b>		
Matthew Perkins	President	2011*
Gary Johnson	Vice President	2009
Roger Beem	Board Member	2011
Robert Erickson	Board Member	2011*
Scott Hillyer	Board Member	2009*
<b>School Officials</b>		
William Crilly	Superintendent	2009
Gloria McComb	Business Manager/ Board Secretary	2009
Engel Law Office	Attorney	2009

\* Board term extended/shortened per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nishna Valley Community School District, Hastings, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements 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 that 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 the Nishna Valley Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2010 on our consideration of the Nishna 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 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

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 Nishna Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which is not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2010

---

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

---

Nishna Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$2,918,318 in fiscal 2008 to \$3,891,694 in fiscal 2009, while General Fund expenditures increased from \$3,053,307 in fiscal 2008 to \$3,440,611 in fiscal 2009. As the increase in revenues outpaced that of expenses, the result was an increase in the District's General Fund balance from a deficit \$146,864 in fiscal 2008 to a positive balance of \$304,219 in fiscal 2009.
- The increase in General Fund revenues was largely attributable to an increase in tuition revenues in fiscal 2009. The most notable increase in expenditures occurred in the other instruction functional area.

### **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 Nishna 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 Nishna Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Nishna Valley Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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 funds.

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

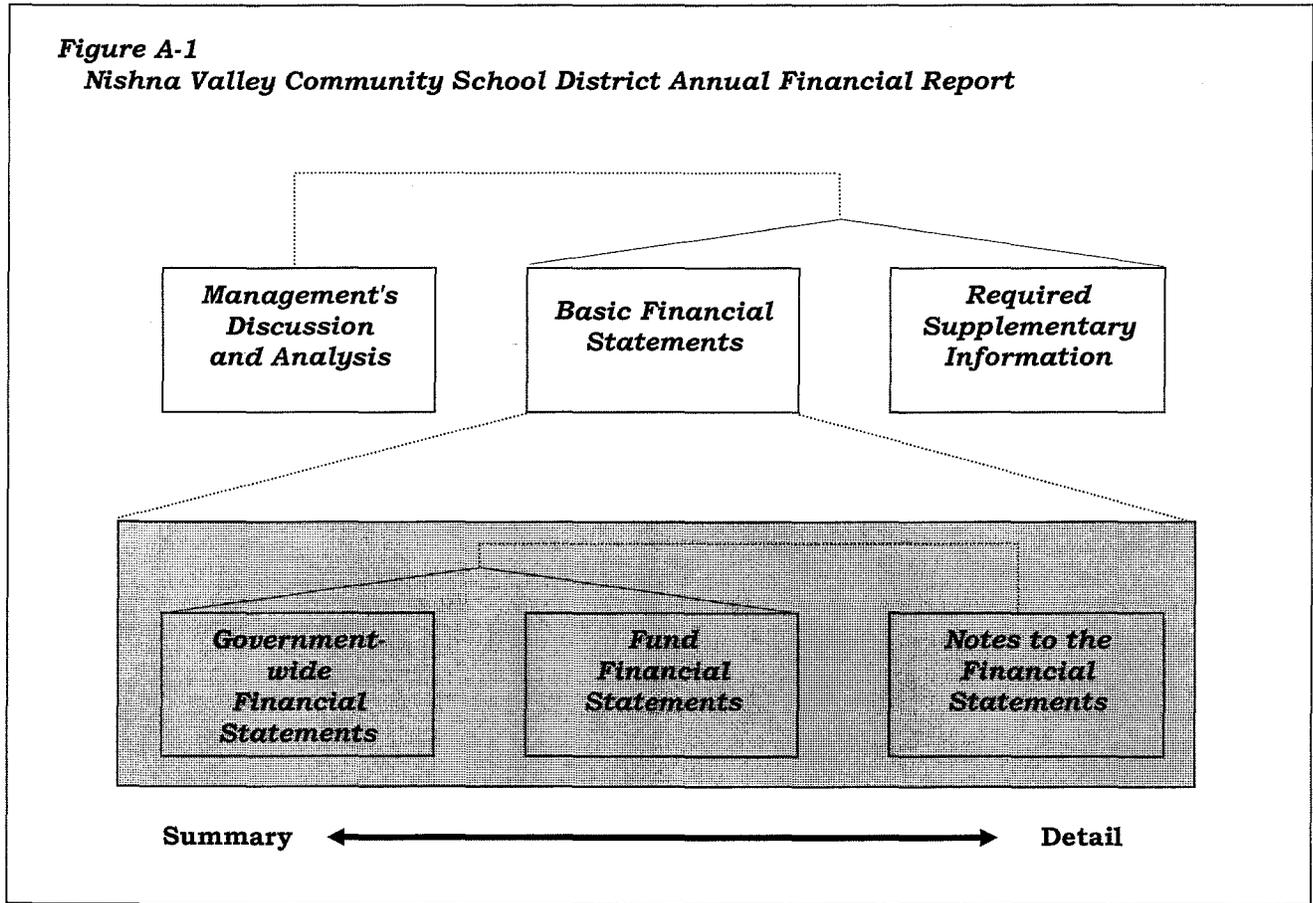


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due 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 position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

The required financial statements for the 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 two enterprise funds, the School Nutrition Fund and Day Care Fund.

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's Agency Fund falls into this category.

- Agency Fund - These are funds for which the District acts as an agent for funds that belong to an outside organization.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Figure A-3 Condensed Statement of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 3,786,563	2,362,936	71,740	(42,379)	3,858,303	2,320,557	66.27%
Capital assets	2,865,460	3,031,105	14,268	28,729	2,879,728	3,059,834	-5.89%
Total assets	6,652,023	5,394,041	86,008	(13,650)	6,738,031	5,380,391	25.23%
Long-term obligations	2,465,000	2,575,000	-	-	2,465,000	2,575,000	-4.27%
Other liabilities	2,826,734	1,978,120	10,209	1,161	2,836,943	1,979,281	43.33%
Total liabilities	5,291,734	4,553,120	10,209	1,161	5,301,943	4,554,281	16.42%
Net assets:							
Invested in capital assets, net of related debt	603,971	651,627	14,268	28,729	618,239	680,356	-9.13%
Restricted	472,671	311,067	-	-	472,671	311,067	51.95%
Unrestricted	283,667	(121,773)	61,531	(43,540)	345,198	(165,313)	308.81%
Total net assets	\$ 1,360,309	840,921	75,799	(14,811)	1,436,108	826,110	73.84%

The District's combined net assets increased by \$609,998, or 73.84% over the prior year. The largest portion of the District's net assets is 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 \$161,604, or 51.95% over the prior year. The increase in restricted net assets can be attributed to increases in fund balances for the Management Levy, Physical Plant & Equipment Levy, Capital Projects and Debt Service Funds.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal

requirements – increased \$510,511, or 308.81%. The main reason for the increase in unrestricted net assets is the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

	Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2009	2008	2009	2008	2009	2008	2008-09	
Revenues & Transfers:								
Program revenues:								
Charges for services	\$ 964,135	273,701	146,737	134,466	1,110,872	408,167	172.16%	
Operating grants and contributions and restricted interest	514,789	465,174	94,011	80,323	608,800	545,497	11.60%	
General revenues:								
Property tax	1,754,976	1,520,198	-	-	1,754,976	1,520,198	15.44%	
Income surtax	133,942	113,294	-	-	133,942	113,294	18.23%	
Statewide sales and services tax	131,366	130,165	-	-	131,366	130,165	0.92%	
Unrestricted state grants	754,213	779,656	-	-	754,213	779,656	-3.26%	
Other	63,919	43,998	37,627	4,874	101,546	48,872	107.78%	
Transfers	(131,863)	-	131,863	-	-	-	0.00%	
Total revenues & transfers	<u>4,185,477</u>	<u>3,326,186</u>	<u>410,238</u>	<u>219,663</u>	<u>4,595,715</u>	<u>3,545,849</u>	<u>29.61%</u>	
Program expenses:								
Governmental activities:								
Instructional	2,531,542	2,136,941	140,025	-	2,671,567	2,136,941	25.02%	
Support services	838,280	942,013	40	7	838,320	942,020	-11.01%	
Non-instructional programs	-	-	179,563	285,146	179,563	285,146	-37.03%	
Other expenses	296,267	293,499	-	-	296,267	293,499	0.94%	
Total expenses	<u>3,666,089</u>	<u>3,372,453</u>	<u>319,628</u>	<u>285,153</u>	<u>3,985,717</u>	<u>3,657,606</u>	<u>8.97%</u>	
Change in net assets	519,388	(46,267)	90,610	(65,490)	609,998	(111,757)	645.83%	
Net assets beginning of year	<u>840,921</u>	<u>887,188</u>	<u>(14,811)</u>	<u>50,679</u>	<u>826,110</u>	<u>937,867</u>	<u>-11.92%</u>	
Net assets end of year	<u>\$ 1,360,309</u>	<u>840,921</u>	<u>75,799</u>	<u>(14,811)</u>	<u>1,436,108</u>	<u>826,110</u>	<u>73.84%</u>	

In fiscal 2009, local tax (property tax, income surtax, and statewide sales and services tax) and unrestricted state grants account for 66.29% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 58.68% of the revenue from business type activities.

The District's total revenues were approximately \$4.60 million of which \$4.19 million was for governmental activities and approximately \$0.41 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 29.61% increase in revenues and an 8.97% increase in expenses. Charges for services increased \$690,434 and property tax increased \$234,778 to fund increases in expenditures.

---

## Governmental Activities

Revenues for governmental activities were \$4,185,477 and expenses were \$3,666,089.

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

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 2,531,542	2,136,941	18.47%	1,141,418	1,484,523	-23.11%
Support services	838,280	942,013	-11.01%	838,280	940,664	-10.88%
Other expenses	296,267	293,499	0.94%	207,467	208,391	-0.44%
Totals	\$ 3,666,089	3,372,453	8.71%	2,187,165	2,633,578	-16.95%

- The cost financed by users of the District's programs was \$964,135.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$514,789.
- The net cost of governmental activities was financed with \$1,754,976 in property tax, \$133,942 in income surtax, \$131,366 in statewide sales and service tax, \$754,213 in unrestricted state grants, \$5,321 in interest income and \$58,598 in contributions and other general revenues.

## Business type Activities

Revenues of the District's business type activities were \$410,238 and expenses were \$319,628. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and a transfer from the General Fund.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Nishna 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 combined fund balances of \$846,116, above last year's ending fund balances of \$299,195.

## Governmental Fund Highlights

- The District experienced considerable improvement in the financial position of the General Fund. The unrestricted fund balance increased approximately \$451,083 due to increased revenues and management's continued efforts to limit District costs when possible.
- Fund balances also showed modest improvement in the Management Levy, Physical Plant & Equipment Levy, Debt Service and Capital Projects Funds.

## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$65,875 at June 30, 2008 to \$64,809 at June 30, 2009. This represents a decrease of approximately 1.62%.

The School Daycare Fund net assets increased from a deficit \$80,686 at June 30, 2008 to \$10,990 at June 30, 2009. The increase is attributable to a transfer from the General Fund.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$589,350 more than budgeted revenues, a variance of 14.82%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

Initially, total expenditures were less than budgeted, 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 instruction functional area. The District also exceeded its General Fund unspent authorized budget by \$40,767.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$2,879,728, 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) This amount represents a net decrease of 5.89% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$113,302.

The original cost of the District's capital assets was \$4,797,428. Governmental funds account for \$4,687,099 with the remainder of \$110,329 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$197,475 at June 30, 2008 compared to \$102,851 at June 30, 2009. The decrease is attributable to current depreciation expense and the disposal of various assets.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 17,500	17,500	-	-	17,500	17,500	0.00%
Buildings	2,561,605	2,635,702	-	-	2,561,605	2,635,702	-2.81%
Improvements other than buildings	197,772	209,157	-	-	197,772	209,157	-5.44%
Machinery and equipment	88,583	168,746	14,268	28,729	102,851	197,475	-47.92%
Total	\$ 2,865,460	3,031,105	14,268	28,729	2,879,728	3,059,834	-5.89%

### Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$2,465,000 in general obligation bonds. This represents a decrease of approximately 4.27% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

---

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 2,465,000	2,575,000	-4.27%

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

- Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund Budget.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will continue to increase the Nishna Valley Community Schools employer benefit costs through the next year.
- With the September 25, 2009 ten percent across-the-board reduction, the District will continue to implement cost-saving measures and develop a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost-saving measures we will implement and how much we can spend from our reserves.

**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 Gloria McComb, Business Manager/Board Secretary, Nishna Valley Community School District, 58962 380th Street, Hastings, Iowa, 51540.

BASIC FINANCIAL STATEMENTS

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 906,209	47,908	954,117
ISCAP	566,296	-	566,296
Receivables:			
Property tax:			
Delinquent	30,686	-	30,686
Succeeding year	1,646,026	-	1,646,026
Income surtax	113,273	-	113,273
Accounts	421,165	17,560	438,725
Accrued ISCAP interest	1,725	-	1,725
Due from other governments	81,808	-	81,808
Inventories	-	6,272	6,272
Bond discounts and issue costs	19,395	-	19,395
Capital assets, net of accumulated depreciation	2,865,460	14,268	2,879,728
<b>Total assets</b>	<b>6,652,043</b>	<b>86,008</b>	<b>6,738,051</b>
<b>Liabilities</b>			
Accounts payable	335,895	353	336,248
Salaries and benefits payable	250,810	8,295	259,105
ISCAP warrants payable	558,000	-	558,000
ISCAP accrued interest payable	2,484	-	2,484
ISCAP unamortized premium	9,290	-	9,290
Interest payable	18,935	-	18,935
Deferred revenue:			
Succeeding year property tax	1,646,026	-	1,646,026
Other	5,294	-	5,294
Unearned revenue	-	1,561	1,561
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	115,000	-	115,000
Portion due after one year:			
General obligation bonds payable	2,350,000	-	2,350,000
<b>Total liabilities</b>	<b>5,291,734</b>	<b>10,209</b>	<b>5,301,943</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	603,971	14,268	618,239
Restricted for:			
Categorical funding	134,285	-	134,285
Management levy	38,927	-	38,927
Physical plant and equipment levy	73,489	-	73,489
Capital projects	187,232	-	187,232
Debt service	14,526	-	14,526
Other special revenue purposes	24,212	-	24,212
Unrestricted	283,667	61,531	345,198
<b>Total net assets</b>	<b>\$ 1,360,309</b>	<b>75,799</b>	<b>1,436,108</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,502,576	795,539	390,382	(316,655)	-	(316,655)
Special	343,421	124,206	35,607	(183,608)	-	(183,608)
Other	685,545	44,390	-	(641,155)	-	(641,155)
	<u>2,531,542</u>	<u>964,135</u>	<u>425,989</u>	<u>(1,141,418)</u>	<u>-</u>	<u>(1,141,418)</u>
Support services:						
Student	47,992	-	-	(47,992)	-	(47,992)
Instructional staff	42,520	-	-	(42,520)	-	(42,520)
Administration	300,421	-	-	(300,421)	-	(300,421)
Operation and maintenance of plant	288,119	-	-	(288,119)	-	(288,119)
Transportation	159,228	-	-	(159,228)	-	(159,228)
	<u>838,280</u>	<u>-</u>	<u>-</u>	<u>(838,280)</u>	<u>-</u>	<u>(838,280)</u>
Other expenditures:						
Facilities acquisitions	2,330	-	-	(2,330)	-	(2,330)
Long-term debt interest	119,655	-	-	(119,655)	-	(119,655)
AEA Flowthrough	88,800	-	88,800	-	-	-
Depreciation(unallocated)*	85,482	-	-	(85,482)	-	(85,482)
	<u>296,267</u>	<u>-</u>	<u>88,800</u>	<u>(207,467)</u>	<u>-</u>	<u>(207,467)</u>
Total governmental activities	3,666,089	964,135	514,789	(2,187,165)	-	(2,187,165)
Business Type activities:						
Instruction:						
Regular	139,696	80,495	-	-	(59,201)	(59,201)
Other	329	-	-	-	(329)	(329)
	<u>140,025</u>	<u>80,495</u>	<u>-</u>	<u>-</u>	<u>(59,530)</u>	<u>(59,530)</u>
Support services:						
Administration	40	-	-	-	(40)	(40)
Non-instructional programs:						
Food service operations	161,802	66,242	94,011	-	(1,549)	(1,549)
Other enterprise operations	17,761	-	-	-	(17,761)	(17,761)
	<u>179,563</u>	<u>66,242</u>	<u>94,011</u>	<u>-</u>	<u>(19,310)</u>	<u>(19,310)</u>
Total business type activities	319,628	146,737	94,011	-	(78,880)	(78,880)
Total	<u>\$ 3,985,717</u>	<u>1,110,872</u>	<u>608,800</u>	<u>(2,187,165)</u>	<u>(78,880)</u>	<u>(2,266,045)</u>
<b>General Revenues/Transfers:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,579,230	-	1,579,230
Debt service				142,788	-	142,788
Capital outlay				32,958	-	32,958
Income surtax				133,942	-	133,942
Statewide sales and services tax				131,366	-	131,366
Unrestricted state grants				754,213	-	754,213
Unrestricted investment earnings				5,321	533	5,854
Contributions				3,590	-	3,590
Other general revenues				55,008	37,094	92,102
Transfers				(131,863)	131,863	-
Total general revenues				<u>2,706,553</u>	<u>169,490</u>	<u>2,876,043</u>
Changes in net assets				519,388	90,610	609,998
Net assets beginning of year				840,921	(14,811)	826,110
Net assets end of year				<u>\$ 1,360,309</u>	<u>75,799</u>	<u>1,436,108</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 434,429	324,799	146,981	906,209
ISCAP	566,296	-	-	566,296
Receivables:				
Property tax:				
Delinquent	26,513	-	4,173	30,686
Succeeding year	1,646,026	-	-	1,646,026
Income surtax	113,273	-	-	113,273
Accounts	421,165	-	-	421,165
Accrued ISCAP interest	1,725	-	-	1,725
Due from other governments	15,864	65,944	-	81,808
<b>Total assets</b>	<b>\$ 3,225,291</b>	<b>390,743</b>	<b>151,154</b>	<b>3,767,188</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 335,895	-	-	335,895
Salaries and benefits payable	250,810	-	-	250,810
ISCAP warrants payable	558,000	-	-	558,000
ISCAP accrued interest payable	2,484	-	-	2,484
ISCAP unamortized premium	9,290	-	-	9,290
Deferred revenue:				
Succeeding year property tax	1,646,026	-	-	1,646,026
Income surtax	113,273	-	-	113,273
Other	5,294	-	-	5,294
<b>Total liabilities</b>	<b>2,921,072</b>	<b>-</b>	<b>-</b>	<b>2,915,778</b>
Fund balances:				
Reserved for:				
Categorical funding	134,285	-	-	134,285
Construction	-	203,511	-	203,511
Debt service	-	-	14,526	14,526
Unreserved	169,934	187,232	136,628	493,794
<b>Total fund balances</b>	<b>304,219</b>	<b>390,743</b>	<b>151,154</b>	<b>846,116</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,225,291</b>	<b>390,743</b>	<b>151,154</b>	<b>3,761,894</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds (page 15)</b>	\$	846,116
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,865,460
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		113,273
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		19,395
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.		(18,935)
Long-term liabilities, including general obligation bonds, revenue bonds, bus lease, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,465,000)</u>
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b><u>1,360,309</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,621,730	131,366	238,653	1,991,749
Tuition	911,287	-	-	911,287
Other	63,789	1,709	51,269	116,767
Intermediate sources	2,500	-	-	2,500
State sources	1,132,218	-	97	1,132,315
Federal sources	134,187	-	-	134,187
Total revenues	<u>3,865,711</u>	<u>133,075</u>	<u>290,019</u>	<u>4,288,805</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,448,527	-	15,156	1,463,683
Special	343,421	-	-	343,421
Other	630,838	-	54,707	685,545
	<u>2,422,786</u>	<u>-</u>	<u>69,863</u>	<u>2,492,649</u>
Support services:				
Student	47,992	-	-	47,992
Instructional staff	42,520	-	-	42,520
Administration	291,710	-	7,343	299,053
Operation and maintenance of plant	268,747	-	15,921	284,668
Transportation	139,350	-	9,410	148,760
	<u>790,319</u>	<u>-</u>	<u>32,674</u>	<u>822,993</u>
Other expenditures:				
Facilities acquisitions	-	2,330	-	2,330
Long-term debt:				
Principal	-	-	110,000	110,000
Interest and fiscal charges	-	-	119,232	119,232
AEA flowthrough	88,800	-	-	88,800
	<u>88,800</u>	<u>2,330</u>	<u>229,232</u>	<u>320,362</u>
Total expenditures	<u>3,301,905</u>	<u>2,330</u>	<u>331,769</u>	<u>3,636,004</u>
Excess(Deficiency) of revenues over(under) expenditures	<u>563,806</u>	<u>130,745</u>	<u>(41,750)</u>	<u>652,801</u>
Other financing sources(uses):				
Sale of equipment	25,983	-	-	25,983
Transfers in	-	6,843	98,416	105,259
Transfers out	(138,706)	(98,416)	-	(237,122)
Total other financing sources(uses)	<u>(112,723)</u>	<u>(91,573)</u>	<u>98,416</u>	<u>(105,880)</u>
Net change in fund balances	451,083	39,172	56,666	546,921
Fund balance beginning of year	(146,864)	351,571	94,488	299,195
Fund balance end of year	<u>\$ 304,219</u>	<u>390,743</u>	<u>151,154</u>	<u>846,116</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ 546,921

*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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:

Depreciation expense	\$ (103,510)	
Loss on disposal	<u>(62,135)</u>	(165,645)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	110,000
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

870

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

28,535

Bond issue costs and bond discounts are reported as expenses in the fund financial statements, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.

(1,293)

Changes in net assets of governmental activities (page 14) \$ 519,388

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	School		Total
	Nutrition	Daycare	
<b>Assets</b>			
Cash and pooled investments	\$ 47,908	-	47,908
Accounts receivable	-	17,560	17,560
Inventories	6,272	-	6,272
Capital assets, net of accumulated depreciation	14,268	-	14,268
<b>Total assets</b>	<b>68,448</b>	<b>17,560</b>	<b>86,008</b>
<b>Liabilities</b>			
Accounts payable	-	353	353
Salaries and benefits payable	2,078	6,217	8,295
Unearned revenue	1,561	-	1,561
<b>Total liabilities</b>	<b>3,639</b>	<b>6,570</b>	<b>10,209</b>
<b>Net Assets</b>			
Invested in capital assets	14,268	-	14,268
Unrestricted	50,541	10,990	61,531
<b>Total net assets</b>	<b>\$ 64,809</b>	<b>10,990</b>	<b>75,799</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	School		
	Nutrition	Daycare	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 66,000	77,963	143,963
Other	242	2,532	2,774
TOTAL OPERATING REVENUES	66,242	80,495	146,737
OPERATING EXPENSES:			
Instruction:			
Regular	-	139,696	139,696
Other	-	329	329
Total instruction	-	140,025	140,025
Support services:			
Administration:			
Other	-	40	40
Non-instructional programs:			
Food service operations:			
Salaries	72,334	-	72,334
Benefits	10,521	-	10,521
Services	3,181	-	3,181
Supplies	65,974	-	65,974
Depreciation	9,792	-	9,792
	161,802	-	161,802
Other enterprise operations:			
Supplies	-	3,879	3,879
Total non-instructional programs	161,802	3,879	165,681
TOTAL OPERATING EXPENSES	161,802	143,944	305,746
OPERATING LOSS	(95,560)	(63,449)	(159,009)
NON-OPERATING REVENUES (EXPENSES):			
State sources	1,842	-	1,842
Federal sources	92,169	-	92,169
Interest on investments	483	50	533
Intermediate sources	-	37,094	37,094
Loss on Disposal	-	(13,882)	(13,882)
TOTAL NON-OPERATING REVENUES (EXPENSES)	94,494	23,262	117,756
Net income(loss) before other financing sources(uses)	(1,066)	(40,187)	(41,253)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	131,863	131,863
Changes in net assets	(1,066)	91,676	90,610
Net assets beginning of year	65,875	(80,686)	(14,811)
Net assets end of year	\$ 64,809	10,990	75,799

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School		Total
	Nutrition	Daycare	
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 66,400	-	66,400
Cash received from miscellaneous	242	64,250	64,492
Cash payments to employees for services	(80,777)	(128,564)	(209,341)
Cash payments to suppliers for goods or services	(61,647)	(8,810)	(70,457)
Net cash used in operating activities	<u>(75,782)</u>	<u>(73,124)</u>	<u>(148,906)</u>
Cash flows from non-capital financing activities:			
Transfers from General Fund	-	131,863	131,863
State grants received	1,842	-	1,842
Federal grants received	82,824	-	82,824
Intermediate sources	-	37,094	37,094
Net cash provided by non-capital financing activities	<u>84,666</u>	<u>168,957</u>	<u>338,289</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(9,213)	-	(9,213)
Cash flows from investing activities:			
Interest on investments	483	50	533
Net increase in cash and cash equivalents	154	95,883	96,037
Cash and cash equivalents at beginning of year	47,754	(95,883)	(48,129)
Cash and cash equivalents at end of year	<u>\$ 47,908</u>	<u>-</u>	<u>47,908</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (95,560)	(63,449)	(159,009)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	9,542	-	9,542
Depreciation	9,792	-	9,792
Increase in inventories	(2,034)	-	(2,034)
Increase in accounts receivable	-	(16,245)	(16,245)
Increase in accounts payable	-	353	353
Increase in salaries and benefits payable	2,078	6,217	8,295
Increase in unearned revenue	400	-	400
Net cash used in operating activities	<u>\$ (75,782)</u>	<u>(73,124)</u>	<u>(148,906)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 47,908	-	47,908
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2009, the District received Federal commodities valued at \$9,542.			

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
JUNE 30, 2009

	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 1,656
<b>Liabilities</b>	
Due to other groups	\$ 1,656

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

For financial reporting purposes, Nishna Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Nishna Valley 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 Mills and Montgomery County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are 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 other 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary funds:

The Enterprise, Daycare Fund is used to account for child care services provided by the District.

The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgments, 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 terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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 that 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 become due and collectible in September and March of the fiscal year with a 1½% 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, machinery, 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 repairs 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.

Asset Class	Amount
Land	\$ 0
Buildings	2,000
Improvements other than buildings	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Years of Useful Life
Buildings	25-50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is 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 on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction function exceeded the amounts budgeted. During the year ended June 30, 2009, the District exceeded its General Fund unspent authorized budget by \$40,767.

#### (2) **Cash and Pooled Investments**

The District's deposits in bank 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	\$ 104

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 98,416
Day Care	General	131,863
Capital Projects	General	<u>6,843</u>
Total		<u>\$ 237,122</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The Capital Projects Fund transferred the amount shown above to the Debt Service Fund for a portion of the principal and interest that was paid on the District's General Obligation Bond indebtedness.

The General Fund transferred the amount shown above to the Day Care Fund to correct the negative balance in that fund.

The General Fund transferred the amount shown above to the Capital Projects-Building Projects Fund for interest on an earlier interfund loan.

**(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. NA is the trustee for the program. A summary of the District's participation in ISCAP at 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	\$ 181,295	1,677	179,000	2,354
2009-10A	6/25/09	6/23/10	385,001	48	379,000	130
Total			\$ 566,296	1,725	558,000	2,484

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 payments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP advance activity during the year ended June 30, 2009.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
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 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business-type activities:</b>				
Machinery and equipment	\$ 117,401	9,213	16,285	110,329
Less accumulated depreciation	88,672	9,792	2,403	96,061
Business-type activities capital assets, net	\$ 28,729	(579)	13,882	14,268

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 17,500	-	-	17,500
Total capital assets not being depreciated	17,500	-	-	17,500
Capital assets being depreciated:				
Buildings	3,687,547	-	-	3,687,547
Improvements other than buildings--	468,071	-	-	468,071
Machinery and equipment	603,472	-	89,491	513,981
Total capital assets being depreciated	4,759,090	-	89,491	4,669,599
Less accumulated depreciation for:				
Buildings	1,051,845	74,097	-	1,125,942
Improvements other than buildings	258,914	11,385	-	270,299
Machinery and equipment	434,726	18,028	27,356	425,398
Total accumulated depreciation	1,745,485	103,510	27,356	1,821,639
Total capital assets being depreciated, net	3,013,605	(103,510)	62,135	2,847,960
Governmental activities capital assets, net	\$ 3,031,105	(103,510)	62,135	2,865,460

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 2,741
Support services:	
Administration	1,368
Operation and maintenance of plant	3,451
Transportation	10,468
	<u>18,028</u>
Unallocated depreciation	<u>85,482</u>
Total governmental activities depreciation expense	<u>\$ 103,510</u>
Business type activities:	
Food services	\$ 9,792

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 2,575,000	0	110,000	2,465,000	115,000

General Obligation Bonds Payable

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

Year Ending June 30,	Bond issue dated May 1, 2005			
	Interest Rates	Principal	Interest	Total
2010	4.75	115,000	113,607	228,607
2011	4.75	120,000	108,145	228,145
2012	4.75	125,000	102,445	227,445
2013	4.75	130,000	96,507	226,507
2014	4.75	135,000	90,333	225,333
2015-2019	4.20-4.50	740,000	357,470	1,097,470
2020-2024	4.55-4.75	895,000	178,408	1,073,408
2025	4.75	205,000	9,738	214,738
Total		\$ 2,465,000	1,056,653	3,521,653

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 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 contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$104,311, \$116,332 and \$85,659 respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits**

GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No.45.

**(9) Risk Management**

The District is a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides dental, health, life insurance and long term disability coverage for employees of the District. The District's contributions to ISEBA for the year ended June 30, 2009 totaled \$247,827.

Nishna Valley Community School 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.

**(10) 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 \$88,800 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.

**(11) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2009, expenditures in the instruction functional area exceeded the amounts budgeted. During the year ended June 30, 2009, the District exceeded its General Fund unspent authorized budget by \$40,767.

**(12) Categorical Funding**

The District's ending balances for categorical funding by project as of June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Salary improvement program	\$ 8,577
Professional development	11,182
Professional development for model core curriculum	3,879
Additional teacher contract day	1,498
Market factor	262
Returning dropouts and dropout prevention programs	73,444
Early childhood programs	5,875
Statewide voluntary preschool program grants	29,568
Total	<u><u>\$ 134,285</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,019,803	147,270	3,167,073	2,589,620	2,589,620	577,453
Intermediate sources	2,500	37,094	39,594	-	-	39,594
State sources	1,132,315	1,842	1,134,157	1,283,210	1,283,210	(149,053)
Federal sources	134,187	92,169	226,356	105,000	105,000	121,356
Total revenues	<u>4,288,805</u>	<u>278,375</u>	<u>4,567,180</u>	<u>3,977,830</u>	<u>3,977,830</u>	<u>589,350</u>
Expenditures/Expenses:						
Instruction	2,492,649	140,025	2,632,674	2,089,712	2,089,712	(542,962)
Support services	822,993	40	823,033	1,037,159	1,037,159	214,126
Non-instructional programs	-	165,681	165,681	215,180	215,180	49,499
Other expenditures	320,362	-	320,362	908,885	908,885	588,523
Total expenditures/expenses	<u>3,636,004</u>	<u>305,746</u>	<u>3,941,750</u>	<u>4,250,936</u>	<u>4,250,936</u>	<u>309,186</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	652,801	(27,371)	625,430	(273,106)	(273,106)	898,536
Other financing sources, net	(105,880)	117,981	12,101	11,500	11,500	601
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	546,921	90,610	637,531	(261,606)	(261,606)	899,137
Balance beginning of year	299,195	(14,811)	284,384	1,003,200	1,003,200	(718,816)
Balance end of year	<u>\$ 846,116</u>	<u>75,799</u>	<u>921,915</u>	<u>741,594</u>	<u>741,594</u>	<u>180,321</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA 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 Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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 in the instruction functional area exceeded the amounts budgeted. During the year ended June 30, 2009, the District exceeded its General Fund unspent authorized budget by \$40,767.

OTHER SUPPLEMENTARY INFORMATION

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>						
Cash and pooled investments	\$ 37,827	24,212	72,913	134,952	12,029	146,981
Receivables:						
Property tax:						
Current year delinquent	1,100	-	576	1,676	2,497	4,173
<b>Total assets</b>	<b>\$ 38,927</b>	<b>24,212</b>	<b>73,489</b>	<b>136,628</b>	<b>14,526</b>	<b>151,154</b>
<b>Liabilities and Fund Balances</b>						
Liabilities	\$ -	-	-	-	-	-
Fund Balances:						
Reserved for debt service	-	-	-	-	14,526	14,526
Unreserved fund balances	38,927	24,212	73,489	136,628	-	136,628
<b>Total liabilities and fund balances</b>	<b>\$ 38,927</b>	<b>24,212</b>	<b>73,489</b>	<b>136,628</b>	<b>14,526</b>	<b>151,154</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 62,907	-	32,958	95,865	142,788	238,653
Other	6,512	44,412	201	51,125	144	51,269
State sources	26	-	13	39	58	97
<b>TOTAL REVENUES</b>	<b>69,445</b>	<b>44,412</b>	<b>33,172</b>	<b>147,029</b>	<b>142,990</b>	<b>290,019</b>
EXPENDITURES:						
Current:						
Instruction:						
Regular	15,156	-	-	15,156	-	15,156
Other	-	54,707	-	54,707	-	54,707
Support services:						
Administration	7,343	-	-	7,343	-	7,343
Operation and maintenance of plant	15,921	-	-	15,921	-	15,921
Transportation	9,410	-	-	9,410	-	9,410
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	110,000	110,000
Interest and fiscal charges	-	-	-	-	119,232	119,232
<b>TOTAL EXPENDITURES</b>	<b>47,830</b>	<b>54,707</b>	<b>-</b>	<b>102,537</b>	<b>229,232</b>	<b>331,769</b>
Excess(deficiency) of revenues over(under) expenditures	21,615	(10,295)	33,172	44,492	(86,242)	(41,750)
Other financing sources:						
Transfer in	-	-	-	-	98,416	98,416
Net change in fund balance	21,615	(10,295)	33,172	44,492	12,174	56,666
Fund balance beginning of year	17,312	34,507	40,317	92,136	2,352	94,488
Fund balance end of year	\$ 38,927	24,212	73,489	136,628	14,526	151,154

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 1,010	22	1,032	-
Change account	53	-	-	53
Drama - HS	1,405	1,196	1,211	1,390
Drama - JH	(255)	255	-	-
Instrumental music	786	1,655	2,051	390
Band trip	32	-	32	-
Vocal music	(365)	365	-	-
Musical	1,371	-	1,371	-
Fiesta bowl	34	-	34	-
Annual	1,423	577	-	2,000
Art	553	-	553	-
Cheerleaders - MS	49	-	49	-
Cheerleaders - HS	950	49	-	999
Home economics	(389)	389	-	-
HOSA	(2,728)	3,848	1,120	-
Secondary fundraiser	8,829	2,056	5,114	5,771
Library club	557	3,376	3,890	43
Class of 2001	(7)	7	-	-
Class of 2002	228	-	228	-
Class of 2003	225	-	225	-
Class of 2005	461	-	461	-
Class of 2006	101	-	101	-
Class of 2007	(621)	621	-	-
Class of 2008	50	-	50	-
Class of 2009	50	-	50	-
Class of 2011	-	350	-	350
Class of 2012	510	117	977	(350)
Class of 2013	77	-	-	77
Class of 2014	332	-	-	332
Class of 2015	59	-	-	59
5-6 loop fund	-	232	-	232
Girls basketball camp	339	-	339	-
Volleyball camp	319	-	319	-
Concessions	9,742	7,779	15,909	1,612
Miscellaneous	98	98	196	-
Athletics	(458)	12,106	8,097	3,551
Industrial arts	1,035	-	1,035	-
Student council	1,620	117	950	787
Science club	21	-	10	11
Elementary fundraiser	1,954	117	1,675	396
Golf	27	-	27	-
Boys basketball	3,959	264	2,500	1,723
Football lights	240	-	-	240
Boys football	4,609	756	4,203	1,162
Weightlifting	548	-	548	-
Boys baseball	(530)	530	-	-
Boys track	617	391	188	820
Wrestling	14	306	162	158
Girls basketball	1,647	467	-	2,114
Girls volleyball	(1,611)	1,730	-	119
Girls softball	(3,175)	3,175	-	-
Girls track	(1,288)	1,461	-	173
<b>Total</b>	<b>\$ 34,507</b>	<b>44,412</b>	<b>54,707</b>	<b>24,212</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 1,452	365	161	1,656
<b>Liabilities</b>				
Due to other groups	\$ 1,452	365	161	1,656

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET FOR CAPITAL PROJECT FUNDS  
 JUNE 30, 2009

	Capital Projects Fund		
	Building Projects	Statewide Sales and Services Tax	Total
<b>Assets</b>			
Cash and pooled investments	\$ 203,511	121,288	324,799
Due from other governments	-	65,944	65,944
<b>Total assets</b>	<b>\$ 203,511</b>	<b>187,232</b>	<b>390,743</b>
<b>Liabilities and Fund Balances</b>			
Total liabilities	\$ -	-	-
Fund balances:			
Reserved for construction	203,511	-	203,511
Unreserved fund balance	-	187,232	187,232
Total fund balances	203,511	187,232	390,743
<b>Total liabilities and fund balance</b>	<b>\$ 203,511</b>	<b>187,232</b>	<b>390,743</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 CAPITAL PROJECT FUNDS  
 YEAR ENDED JUNE 30, 2009

	Capital Projects Fund		
	Building Projects	Statewide Sales and Services Tax	Total
REVENUES:			
Local sources:			
Statewide sales and services tax	\$ -	131,366	131,366
Interest on investments	1,232	477	1,709
TOTAL REVENUES	1,232	131,843	133,075
EXPENDITURES:			
Other expenditures:			
Facilities acquisitions	86	2,244	2,330
TOTAL EXPENDITURES	86	2,244	2,330
Excess(Deficiency) of revenues over(under) expenditures	1,146	129,599	130,745
Other financing uses:			
Transfer in	6,843	-	6,843
Transfer out	-	(98,416)	(98,416)
TOTAL OTHER FINANCING SOURCES(USES)	6,843	(98,416)	(91,573)
Net change in fund balance	7,989	31,183	39,172
Fund balance beginning of year	195,522	156,049	351,571
Fund balances end of year	\$ 203,511	187,232	390,743

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA 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					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 1,991,749	1,703,221	1,642,601	1,502,049	1,384,584	1,467,845
Tuition	911,287	224,802	153,988	223,155	199,949	150,922
Other	116,767	103,643	173,316	200,292	142,756	143,378
Intermediate sources	2,500	-	-	-	-	-
State sources	1,132,315	1,206,004	890,380	1,048,515	896,967	717,555
Federal sources	134,187	88,442	152,043	123,640	103,469	106,562
<b>Total</b>	<b>\$ 4,288,805</b>	<b>3,326,112</b>	<b>3,012,328</b>	<b>3,097,651</b>	<b>2,727,725</b>	<b>2,586,262</b>
Expenditures:						
Instruction:						
Regular	\$ 1,463,683	1,432,026	1,199,188	1,227,146	1,165,363	1,078,537
Special	343,421	456,086	424,280	308,410	445,693	398,733
Other	685,545	245,912	368,672	372,237	256,587	254,211
Support services:						
Student	47,992	55,013	81,846	15,730	13,392	17,465
Instructional staff	42,520	53,329	45,397	22,545	45,251	42,566
Administration	299,053	390,532	377,710	344,598	345,628	343,749
Operation and maintenance of plan	284,668	300,845	305,505	273,365	227,501	214,761
Transportation	148,760	148,128	132,519	131,478	135,548	133,658
Non-instructional	-	-	-	-	-	3,348
Other expenditures:						
Facilities acquisitions	2,330	100,975	225,719	2,562,434	142,969	55,382
Long Term Debt:						
Principal	110,000	105,000	105,000	100,000	-	-
Interest	119,232	124,220	129,007	133,958	-	-
AEA flow-through	88,800	85,108	82,672	81,036	80,813	80,500
<b>Total</b>	<b>\$ 3,636,004</b>	<b>3,497,174</b>	<b>3,477,515</b>	<b>5,572,937</b>	<b>2,858,745</b>	<b>2,622,910</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

### 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 the  
Nishna Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nishna Valley Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 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 Nishna Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Nishna Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nishna Valley Community School District's internal control over financial reporting.

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

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

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

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

#### Compliance and Other Matters

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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Nishna Valley Community School District and other parties to whom Nishna Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2010

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

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

Response - This is always a problem for a District with so few office personnel. The superintendent will continue to monitor activity in all accounts and report any concerns to the Board of Directors. The Board receives detailed financial reports each month.

Conclusion - Response accepted.

- I-B-09 Student Activity Fund - We noted during our audit that the Student Activity Fund included a library account.

We also noted book fair expenditures coded to the Student Activity Fund.

Recommendation - The receipts and expenditures made from this account appear to be more appropriately accounted for in the General fund. The District should review the transactions in this account and make the necessary transfers.

These expenses appear to be more instructional in nature, and therefore, should be handled through the General Fund.

Response - The funds in the library account were moved by Board motion on September 14, 2009 to the General Fund. The club has been eliminated from the Fund report.

All book fair expenses will be paid from the General Fund.

Conclusion - Response accepted.

- I-C-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - To comply with the Department of Labor wage per hour requirements, the District should keep track of the hours worked for non-certified staff coaches.

Response - Coaches have been given timesheets to fill out.

Conclusion - Response accepted.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, exceeded the budgeted amounts in the instruction functional area. The District exceeded its General Fund unspent authorized budget by \$40,767.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Response - The District will monitor expenses in relation to the certified budget and in the future file an amendment as necessary. The District has contacted the Department of Education and School Budget Review committee to resolve the situation.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks or gave cash to individual students from the Student Activity Fund. These checks were subsequently cashed to purchase gift certificates/cards that were given to students as incentive prizes. Giving cash or gift certificates/cards to students as incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - This has been addressed with the sponsor and won't happen again.

Conclusion - Response accepted.

II-C-09 Travel Expense - 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.

II-D-09 Business Transactions - No business transactions between the District and District officials were noted.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-09 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District received dividends from stock owned in Principal. Ownership of Principal stock appears to be in non-compliance with the deposit and investment

provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

We also noted during the audit, that the District did not include its investment in Principal stock on the financial statements. Due to change in administration and accounting personnel for the District, documentation of stock ownership was unable to be found at the time of audit.

Recommendation - The District should sell the stock, and reinvest the proceeds in an investment within compliance of the District policy number 704.3, Chapter 12B and Chapter 12C of the Code of Iowa.

Response - Arrangements have been made to sell the stock and the money will be deposited in the General Fund as soon as it arrives.

Conclusion - Response accepted.

- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 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.3 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		131,366
Expenditures out:		
School infrastructure:		
Buildings	\$	2,244
Debt service for school infrastructure:		
General obligation debt	98,416	100,660
Ending balance	\$	<u>30,706</u>

Levies reduced as a result of stateside sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.89332	\$ 98,416

II-L-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - Malvern's AD issues all contracts for officials. He will bring future contracts to Nishna Valley for the Board President's signature.

Conclusion - Response accepted.

II-M-09 Check Signatures - We noted during our audit instances of checks clearing the bank with only one signature. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - Checks will be kept more secure so they can't leave the business official's office without her signature.

Conclusion - Response accepted.