

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District, Greenfield, Iowa, as of and for the year ended June 30, 2010, 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 31, 2011, on our consideration of Nodaway Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nodaway Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009, (which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards, required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nodaway Valley CSD provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,525,056 in fiscal 2009 to \$6,154,086 in fiscal 2010, while General Fund expenditures decreased from \$7,153,640 in fiscal 2009 to \$6,830,091 in fiscal 2010. The District's General Fund balance decreased from \$(118,688) in fiscal 2009 to \$(793,388) in fiscal 2010, a 568% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in State Aid and other miscellaneous income in fiscal 2010. The decrease in expenditures was due to decreased salaries and benefits and decreased operation and maintenance costs.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

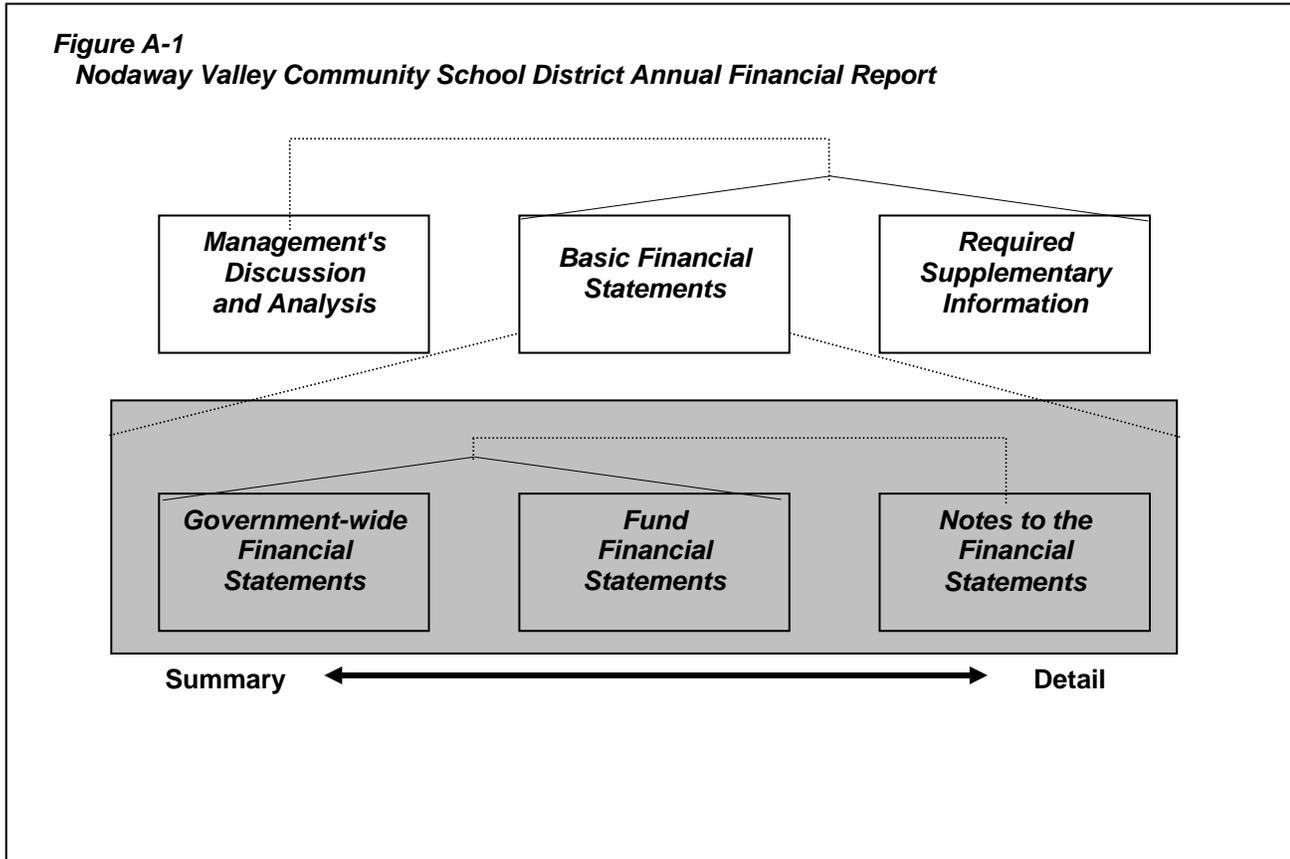


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,509,570	6,474,811	58,743	32,047	5,568,313	6,506,858	-14%
Capital assets	7,226,283	6,423,243	20,462	24,776	7,246,745	6,448,019	12%
Total assets	12,735,853	12,898,054	79,205	56,823	12,815,058	12,954,877	-1%
Long-term liabilities	2,995,544	2,145,000	341	-	2,995,885	2,145,000	40%
Other liabilities	4,626,799	5,458,059	7,817	5,461	4,634,616	5,463,520	-15%
Total liabilities	7,622,343	7,603,059	8,158	5,461	7,630,501	7,608,520	1%
Net Assets:							
Invested in capital assets, net of related debt	4,331,283	4,304,468	20,462	24,776	4,351,745	4,329,244	1%
Restricted	1,693,793	994,966	-	-	1,693,793	994,966	70%
Unrestricted	(911,566)	(4,439)	50,585	26,586	(860,981)	22,147	-3988%
TOTAL NET ASSETS	5,113,510	5,294,995	71,047	51,362	5,184,557	5,346,357	-3%

The District's combined net assets decreased by nearly 3%, or approximately \$161,800, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$698,827 over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$883,128.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	
Revenues							
Program Revenues:							
Charges for services	519,594	439,793	195,893	210,912	715,487	650,705	10%
Operating grants & contributions	1,107,733	1,086,484	193,067	177,742	1,300,800	1,264,226	3%
Capital grants & contributions	-	17,132	-	-	-	17,132	-100%
General Revenues:							
Property taxes	2,581,662	2,519,754	-	-	2,581,662	2,519,754	2%
Income Surtax	282,031	241,981	-	-	282,031	241,981	17%
Statewide sales tax	480,951	413,214	-	-	480,951	413,214	16%
Unrestricted state grants	2,445,122	2,950,385	-	-	2,445,122	2,950,385	-17%
ARRA Stabilization	-	59,896	-	-	-	59,896	-100%
Unrestricted investment earnings	24,252	17,314	248	2,742	24,500	20,056	22%
Loss on disposal of capital asset	-	(29,723)	-	(1,666)	-	(31,389)	100%
Other revenue	16,313	13,805	-	-	16,313	13,805	18%
Total Revenues	7,457,658	7,730,035	389,208	389,730	7,846,866	8,119,765	-3%
Expenses:							
Instruction	4,858,956	4,988,833	-	-	4,858,956	4,988,833	-3%
Support services	2,209,559	2,295,802	-	-	2,209,559	2,295,802	-4%
Non-instructional programs	-	3,257	369,523	370,644	369,523	373,901	-1%
Other expenditures	570,628	606,705	-	-	570,628	606,705	-6%
Total expenses	7,639,143	7,894,597	369,523	370,644	8,008,666	8,265,241	-3%
Change in net assets before transfers	(181,485)	(164,562)	19,685	19,086	(161,800)	(145,476)	-11%
Transfers	-	(3,000)	-	3,000	-	-	0%
CHANGE IN NET ASSETS	(181,485)	(167,562)	19,685	22,086	(161,800)	(145,476)	-11%
Net assets beginning of year	5,294,995	5,462,557	51,362	29,276	5,346,357	5,491,833	-3%
Net assets end of year	5,113,510	5,294,995	71,047	51,362	5,184,557	5,346,357	-3%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,457,658 and expenses were \$7,639,143.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2010 \$	Total Cost of Services 2009 \$	Net Cost of Services 2010 \$	Net Cost of Services 2009 \$
Instruction	4,858,956	4,988,833	3,560,243	3,736,813
Support Services	2,209,559	2,295,802	2,168,063	2,284,060
Non-instructional Programs	-	3,257	-	3,257
Other Expenses	570,628	606,705	283,510	327,058
TOTAL	7,639,143	7,894,597	6,011,816	6,351,188

- The cost financed by users of the District's programs was \$519,594.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,107,733.
- The net cost of governmental activities was financed with \$3,344,644 in property and other taxes and \$2,445,122 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$389,208 and expenses were \$369,523. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$659,212, a decrease of \$180,784 below last year's ending fund balances of \$839,996.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Expenditures were \$255,454 less in 2010 than in 2009, revenues were \$181,485 less than expenditures.
- The General Fund balance decreased from \$(118,688) to \$(793,388).

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$34,014 in fiscal 2009 to \$89,279 in fiscal 2010, a change of \$55,262.
- The Debt Service Fund balance decreased \$60,139 in 2010. The District ended fiscal 2010 with a balance of \$5,574.
- The Capital Projects Fund is used to account for revenue and expenditures for Local Option Sales and Services Tax the District began receiving in 2005. The tax may be used for infrastructure, major equipment purchases, and debt reduction. Fund balance at the end of fiscal year 2010 was \$1,118,056. The district contracted with Energy Services Group to conduct an energy survey and make recommendations. The district completed Phase I of the energy improvements that were recommended by Energy Services Group. \$1,015,000 in Local Option Sales and Services Tax Revenue Bonds were sold to allow for these energy improvement projects. Phase II of the energy improvements began and \$1,045,000 in Local Option Sales and Service Tax Revenue Bonds were sold to allow for these energy improvement projects.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$51,362 at June 30, 2009 to \$71,047 at June 30, 2010, representing an increase of approximately 38%.

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

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$7,246,745, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6). More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$313,187.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2009-2010
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Land	38,401	38,401	-	-	38,401	38,401	0%
Construction in Progress	1,627,328	632,603	-	-	1,627,328	632,603	157%
Buildings	4,166,445	4,306,139	-	-	4,166,445	4,306,139	-3%
Improvements	647,722	662,363	-	-	647,722	662,363	-2%
Equipment & Furniture	746,387	783,737	20,462	24,776	766,849	808,513	-5%
TOTAL	7,226,283	6,423,243	20,462	24,776	7,246,745	6,448,019	12%

Long-Term Debt

At June 30, 2010, the District had \$2,995,544 in general obligation bonds, sales tax revenue bonds and termination benefits outstanding. This represents an increase of approximately 40% from last year. (See Figure A-7). Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total School District		Percentage Change 2009-2010
	2010	2009	
	\$	\$	
General obligation bonds	990,000	1,110,000	-11%
Sales tax revenue bonds	1,905,000	1,015,000	88%
Termination benefits	72,885	20,000	264%
Net OPEB liability	27,659	-	100%
Total	2,995,544	2,145,000	40%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2009 enrollment decreased by 16 students. The District's October 2010 enrollment decreased by 16 students.
- The District will be able to do major infrastructure repairs and replacement due to the local option sales tax. Energy Services Group has been contracted to conduct an energy audit and make recommendations. The District completed Phase I projects and most of the Phase II energy improvement projects.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,815,047	47,901	1,862,948
Receivables:			
Property tax:			
Delinquent	42,716	-	42,716
Succeeding year	3,102,293	-	3,102,293
Accounts	4,691	697	5,388
Due from other governments	544,823	-	544,823
Inventories	-	10,145	10,145
Capital assets, net of accumulated depreciation	7,226,283	20,462	7,246,745
Total assets	12,735,853	79,205	12,815,058
Liabilities			
Excess of warrants over bank balance	436,735	-	436,735
Accounts payable	94,127	-	94,127
Salaries and benefits payable	673,870	2,826	676,696
Accrued interest payable	49,185	-	49,185
Deferred revenue:			
Succeeding year property tax	3,102,293	-	3,102,293
Other	270,589	4,991	275,580
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	125,000	-	125,000
Revenue bonds payable	285,000	-	285,000
Termination benefits	36,429	-	36,429
Portion due after one year:			
General obligation bonds payable	865,000	-	865,000
Revenue bonds payable	1,620,000	-	1,620,000
Net OPEB liability	27,659	341	28,000
Termination benefits	36,456	-	36,456
Total liabilities	7,622,343	8,158	7,630,501

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets			
Invested in capital assets, net of related debt	4,331,283	20,462	4,351,745
Restricted for:			
Categorical funding	319,652	-	319,652
Management levy	141,258	-	141,258
Physical plant and equipment levy	89,276	-	89,276
Other special revenue purposes	25,551	-	25,551
Sales tax capital projects	1,118,056	-	1,118,056
Unrestricted	<u>(911,566)</u>	<u>50,585</u>	<u>(860,981)</u>
Total net assets	<u><u>5,113,510</u></u>	<u><u>71,047</u></u>	<u><u>5,184,557</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,722,828	256,283	600,510	-
Special	943,855	35,721	93,100	-
Other	1,192,273	187,612	125,487	-
	<u>4,858,956</u>	<u>479,616</u>	<u>819,097</u>	<u>-</u>
Support services:				
Student	120,487	-	-	-
Instructional staff	180,929	-	-	-
Administration	806,989	31,638	-	-
Operation and maintenance of plant	654,254	3,846	-	-
Transportation	446,900	4,494	1,518	-
	<u>2,209,559</u>	<u>39,978</u>	<u>1,518</u>	<u>-</u>
Other expenditures:				
Long-term debt interest	100,935	-	-	-
AEA flowthrough	287,118	-	287,118	-
Depreciation (unallocated)*	182,575	-	-	-
	<u>570,628</u>	<u>-</u>	<u>287,118</u>	<u>-</u>
Total governmental activities	<u>7,639,143</u>	<u>519,594</u>	<u>1,107,733</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	369,523	195,893	193,067	-
Total	<u>8,008,666</u>	<u>715,487</u>	<u>1,300,800</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,866,035)	-	(1,866,035)
(815,034)	-	(815,034)
(879,174)	-	(879,174)
<u>(3,560,243)</u>	<u>-</u>	<u>(3,560,243)</u>
(120,487)	-	(120,487)
(180,929)	-	(180,929)
(775,351)	-	(775,351)
(650,408)	-	(650,408)
(440,888)	-	(440,888)
<u>(2,168,063)</u>	<u>-</u>	<u>(2,168,063)</u>
(100,935)	-	(100,935)
-	-	-
<u>(182,575)</u>	<u>-</u>	<u>(182,575)</u>
<u>(283,510)</u>	<u>-</u>	<u>(283,510)</u>
<u>(6,011,816)</u>	<u>-</u>	<u>(6,011,816)</u>
-	19,437	19,437
<u>(6,011,816)</u>	<u>19,437</u>	<u>(5,992,379)</u>
2,360,918	-	2,360,918
158,895	-	158,895
61,849	-	61,849
282,031	-	282,031
480,951	-	480,951
2,445,122	-	2,445,122
24,252	248	24,500
16,313	-	16,313
<u>5,830,331</u>	<u>248</u>	<u>5,830,579</u>
(181,485)	19,685	(161,800)
<u>5,294,995</u>	<u>51,362</u>	<u>5,346,357</u>
<u>5,113,510</u>	<u>71,047</u>	<u>5,184,557</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	548,541	937,343	327,960	1,813,844
Receivables:				
Property tax:				
Delinquent	35,768	-	6,948	42,716
Succeeding year	2,744,179	-	358,114	3,102,293
Income surtax receivable	271,541	-	-	271,541
Accounts	4,011	-	680	4,691
Due from other governments	92,569	180,713	-	273,282
Total assets	3,696,609	1,118,056	693,702	5,508,367
Liabilities and Fund Balances				
Liabilities:				
Warrants issued in excess of bank balance	436,735	-	-	436,735
Accounts payable	93,238	-	889	94,127
Salaries and benefits payable	673,715	-	155	673,870
Deferred revenue:				
Succeeding year property tax	2,744,179	-	358,114	3,102,293
Income surtax	271,541	-	-	271,541
Other	270,589	-	-	270,589
Total liabilities	4,489,997	-	359,158	4,849,155
Fund balances:				
Reserved for:				
Categorical funding	319,652	-	-	319,652
Debt service	-	-	5,574	5,574
Unreserved reported in:				
General fund	(1,113,040)	-	-	(1,113,040)
Special revenue funds	-	-	328,970	328,970
Capital projects funds	-	1,118,056	-	1,118,056
Total fund balances	(793,388)	1,118,056	334,544	659,212
Total liabilities and fund balances	3,696,609	1,118,056	693,702	5,508,367

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

\$

Total fund balances of governmental funds (Exhibit C)	659,212
<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.	7,226,283
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	271,541
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.	(49,185)
An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program (and/or employee flexible benefit program) to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	1,203
Long-term liabilities, including bonds payable, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,995,544)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,113,510</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,359,544	480,951	422,678	3,263,173
Tuition	161,170	-	-	161,170
Other	94,602	10,104	293,128	397,834
State sources	3,213,604	12,096	1,989	3,227,689
Federal sources	325,166	-	-	325,166
Total revenues	<u>6,154,086</u>	<u>503,151</u>	<u>717,795</u>	<u>7,375,032</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,619,234	599	34,117	2,653,950
Special	940,099	-	-	940,099
Other	923,564	-	268,709	1,192,273
	<u>4,482,897</u>	<u>599</u>	<u>302,826</u>	<u>4,786,322</u>
Support services:				
Student	176,161	-	-	176,161
Instructional staff	158,122	4,622	16,478	179,222
Administration	771,360	-	29,461	800,821
Operation and maintenance of plant	610,130	-	40,310	650,440
Transportation	344,303	76,700	23,559	444,562
	<u>2,060,076</u>	<u>81,322</u>	<u>109,808</u>	<u>2,251,206</u>
Other expenditures:				
Facilities acquisition	-	876,507	55,227	931,734
Long-term debt:				
Principal	-	-	275,000	275,000
Interest and fiscal charges	-	-	71,491	71,491
AEA flowthrough	287,118	-	-	287,118
	<u>287,118</u>	<u>876,507</u>	<u>401,718</u>	<u>1,565,343</u>
Total expenditures	<u>6,830,091</u>	<u>958,428</u>	<u>814,352</u>	<u>8,602,871</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(676,005)</u>	<u>(455,277)</u>	<u>(96,557)</u>	<u>(1,227,839)</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Bonds issued	-	1,045,000	-	1,045,000
Sales of materials and equipment	1,305	-	750	2,055
Operating transfers in	-	-	246,465	246,465
Operating transfers out	-	(186,218)	(60,247)	(246,465)
Total other financing sources (uses)	<u>1,305</u>	<u>858,782</u>	<u>186,968</u>	<u>1,047,055</u>
Net change in fund balances	(674,700)	403,505	90,411	(180,784)
Fund balances beginning of year	<u>(118,688)</u>	<u>714,551</u>	<u>244,133</u>	<u>839,996</u>
Fund balances end of year	<u><u>(793,388)</u></u>	<u><u>1,118,056</u></u>	<u><u>334,544</u></u>	<u><u>659,212</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(180,784)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense and loss on disposal of capital assets in the current year, as follows:		
Loss on disposal of capital assets	(900)	
Expenditures for capital assets	1,111,213	
Depreciation expense	<u>(307,273)</u>	803,040
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		81,471
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		275,000
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.		(29,444)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(52,885)	
Other postemployment benefits	<u>(27,659)</u>	(80,544)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(1,045,000)
An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(5,224)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(181,485)</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>School Nutrition</u>	<u>Service Fund</u>
	\$	\$
Assets		
Cash and cash equivalents	47,901	1,203
Accounts receivable	697	-
Inventories	10,145	-
Capital assets, net of accumulated depreciation	<u>20,462</u>	<u>-</u>
Total assets	<u><u>79,205</u></u>	<u><u>1,203</u></u>
Liabilities		
Salaries and benefits payable	2,826	-
Deferred revenue	4,991	-
Net OPEB liability	<u>341</u>	<u>-</u>
Total liabilities	<u><u>8,158</u></u>	<u><u>-</u></u>
Net assets		
Invested in capital assets	20,462	-
Unrestricted	<u>50,585</u>	<u>1,203</u>
Total net assets	<u><u>71,047</u></u>	<u><u>1,203</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Enterprise Fund <u>School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Operating revenues:		
Local sources:		
Charges for service	<u>195,893</u>	<u>29,604</u>
Operating expenses:		
Non-instructional programs:		
Salaries	134,837	-
Benefits	25,531	34,828
Purchased services	5,058	-
Supplies	198,183	-
Depreciation	5,914	-
Total operating expenses	<u>369,523</u>	<u>34,828</u>
Operating gain (loss)	<u>(173,630)</u>	<u>(5,224)</u>
Non-operating revenues:		
State sources	3,851	-
Federal sources	189,216	-
Interest income	248	-
Total non-operating revenues	<u>193,315</u>	<u>-</u>
Change in net assets	19,685	(5,224)
Net assets beginning of year	<u>51,362</u>	<u>6,427</u>
Net assets end of year	<u><u>71,047</u></u>	<u><u>1,203</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Enterprise Fund <u>School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	196,259	-
Cash received from services	-	29,604
Cash payments to employees for services	(158,286)	-
Cash payments to suppliers for goods or services	(180,159)	(34,828)
Net cash used by operating activities	<u>(142,186)</u>	<u>(5,224)</u>
Cash flows from non-capital financing activities:		
State grants received	3,851	-
Federal grants received	164,540	-
Net cash provided by non-capital financing activities	<u>168,391</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,600)	-
Cash flows from investing activities:		
Interest on investments	248	-
Net increase (decrease) in cash and cash equivalents	24,853	(5,224)
Cash and cash equivalents at beginning of year	23,048	6,427
Cash and cash equivalents at end of year	<u>47,901</u>	<u>1,203</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(173,630)	(5,224)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	24,676	-
Depreciation	5,914	-
Decrease (increase) in inventories	(1,509)	-
Decrease (increase) in accounts receivable	(334)	-
(Decrease) increase in accounts payable	(85)	-
(Decrease) increase in salaries and benefits payable	1,741	-
(Decrease) increase in deferred revenue	700	-
(Decrease) Increase in other postemployment benefits	341	-
Net cash used by operating activities	<u>(142,186)</u>	<u>(5,224)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$24,676 of federal commodities.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated

absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	3,000
Improvements other than buildings	3,000
Intangibles	20,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	10-20 years
Intangibles	3-20 years
Furniture and equipment	5-15 years

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not

collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	<u>\$</u>
Diversified Portfolio	<u>1,668</u>

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

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor – Debt Service Fund	Capital Projects Fund	186,218
Nonmajor – PPEL Fund	Nonmajor – Debt Service Fund	60,247

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

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2008-09B warrants is 3.0%. A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	1,000,000	1,000,000	
2008-09B	12/1/09	1/21/10	-	200,000	200,000	
			-	1,200,000	1,200,000	-

During the year ended June 30, 2010, the District paid \$10,314 of interest on the ISCAP warrants.

5. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Land	38,401	-	-	38,401
Construction in progress	632,603	994,725	-	1,627,328
Total capital assets not being deprec.	671,004	994,725	-	1,665,729

Capital assets being depreciated:				
Buildings	7,329,632		-	7,329,632
Improvements other than buildings	953,792	28,240	-	982,032
Furniture and equipment	1,572,285	88,248	42,529	1,618,004
Total capital assets being deprec.	<u>9,855,709</u>	<u>116,488</u>	<u>42,529</u>	<u>9,929,668</u>
Less accumulated depreciation for:				
Buildings	3,023,493	139,694	-	3,163,187
Improvements other than buildings	291,429	42,881	-	334,310
Furniture and equipment	788,548	124,698	41,629	871,617
Total accumulated depreciation	<u>4,103,470</u>	<u>307,273</u>	<u>41,629</u>	<u>4,369,114</u>
Total capital assets being depreciated, net	<u>5,752,239</u>	<u>(190,785)</u>	<u>900</u>	<u>5,560,554</u>
Governmental activities capital assets, net	<u>6,423,243</u>	<u>803,940</u>	<u>900</u>	<u>7,226,283</u>
	Balance			Balance
	Beginning of			End
	Year	Increases	Decreases	of Year
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Business type activities:				
Furniture and equipment	172,523	1,600	-	174,123
Less accumulated depreciation	<u>147,747</u>	<u>5,914</u>	<u>-</u>	<u>153,661</u>
Business type activities capital assets, net	<u>24,776</u>	<u>(4,314)</u>	<u>-</u>	<u>20,462</u>

Depreciation expense was charged to the following functions:

	Amount
	<u>\$</u>
Governmental activities:	
Instruction:	
Regular	3,195
Support services:	
Student support	35,557
Administration	4,461
Operation and maintenance of plant services	2,447
Transportation	79,038
	<u>124,698</u>
Unallocated depreciation	<u>182,575</u>
Total depreciation expense – governmental activities	<u><u>307,273</u></u>
Business type activities:	
Food services	<u><u>5,914</u></u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	1,110,000	-	120,000	990,000	125,000
Sales tax revenue bonds	1,015,000	1,045,000	155,000	1,905,000	285,000
Termination benefits	20,000	72,885	20,000	72,885	36,429
Net OPEB liability	-	27,659	-	27,659	-
Total	2,145,000	1,145,544	295,000	2,995,544	446,429
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	341	-	341	-

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and was limited to four employees for fiscal year 2010.

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

At June 30, 2010, the District has obligations to four participants with a total liability of \$72,885. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$20,000.

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bridgewater-Fontanelle 2005 Refunding Bond Issue			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	3.3	125,000	36,034	161,034
2012	3.4	125,000	31,909	156,909
2013	3.5	125,000	27,659	152,659
2014	3.6	130,000	23,284	153,284
2015	3.7	130,000	18,604	148,604
2016-2018	3.8-4.0	355,000	27,038	382,038
Total		990,000	164,528	1,154,528

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	3.0	160,000	26,212	186,212
2012	3.0	165,000	21,254	186,254
2013	3.0	170,000	15,808	185,808
2014	3.0	180,000	9,810	189,810
2015	3.0	185,000	3,330	188,330
		<u>860,000</u>	<u>76,414</u>	<u>936,414</u>

- The District has pledged future statewide sales, services and use tax revenues to repay the \$1,015,000 bonds issued in June 2008. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

Year Ending June 30,	Bond Issue of 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011		125,000	49,971	174,971
2012		125,000	34,775	159,775
2013		125,000	31,775	156,775
2014		125,000	27,338	152,338
2015		125,000	21,713	146,713
2016-2017		420,000	19,350	439,350
		<u>1,045,000</u>	<u>184,922</u>	<u>1,229,922</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,045,000 bonds issued in 2009-2010. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$298,399, \$267,557, and \$251,262 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 79 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with retirees under age 65 paying the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	50,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>50,000</u>
Contributions made	<u>22,000</u>
Increase in net OPEB obligation	28,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>28,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$22,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	50,000	44%	28,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$353,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$353,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,590,000, and the ratio of the UAAL to covered payroll was 9.83%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5 % each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$496 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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 \$287,118 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Construction Commitment

The District has entered into contracts totaling \$1,542,538 for construction. As of June 30, 2010 costs of \$1,521,996 had been incurred against the contracts. The balances remaining at June 30, 2010 will be paid as work on the project progresses.

12. Deficit Fund Balance

The General Fund has a \$793,388 deficit fund balance at June 30, 2010.

13. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
	\$
Gifted and Talented	44,623
Returning dropout and dropout prevention program	200,228
Teacher salary supplement	32,110
At risk supplemental weighting	18,675
Educator quality, professional development	<u>24,016</u>
	<u><u>319,652</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,822,177	196,141	4,018,318	3,885,229	3,885,229	133,089
Intermediate sources	-	-	-	-	-	-
State sources	3,227,689	3,851	3,231,540	4,061,345	4,061,345	(829,805)
Federal sources	325,166	189,216	514,382	425,729	425,729	88,653
Total revenues	<u>7,375,032</u>	<u>389,208</u>	<u>7,764,240</u>	<u>8,372,303</u>	<u>8,372,303</u>	<u>(608,063)</u>
Expenditures/Expenses:						
Instruction	4,786,322	-	4,786,322	5,342,343	5,342,343	556,021
Support services	2,251,206	-	2,251,206	2,816,000	2,816,000	564,794
Non-instructional programs	-	369,523	369,523	391,476	391,476	21,953
Other expenditures	1,565,343	-	1,565,343	2,544,696	2,544,696	979,353
Total expenditures/expenses	<u>8,602,871</u>	<u>369,523</u>	<u>8,972,394</u>	<u>11,094,515</u>	<u>11,094,515</u>	<u>2,122,121</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,227,839)	19,685	(1,208,154)	(2,722,212)	(2,722,212)	1,514,058
Other financing sources (uses) net	<u>1,047,055</u>	<u>-</u>	<u>1,047,055</u>	<u>4,600</u>	<u>4,600</u>	<u>1,042,455</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(180,784)	19,685	(161,099)	(2,717,612)	(2,717,612)	2,556,513
Balance beginning of year	<u>839,996</u>	<u>51,362</u>	<u>891,358</u>	<u>2,288,768</u>	<u>2,288,768</u>	<u>(1,397,410)</u>
Balance end of year	<u>659,212</u>	<u>71,047</u>	<u>730,259</u>	<u>(428,844)</u>	<u>(428,844)</u>	<u>1,159,103</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

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

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

During the year ended June 30, 2010, expenditures did not exceed the amount budgeted.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2009	July 1, 2008	-	353,000	353,000	0.0%	3,590,000	9.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	\$
Cash and pooled investments	210,798	25,066	89,138	2,958	327,960
Receivables:					
Property tax:					
Delinquent	3,345	-	987	2,616	6,948
Succeeding year	130,000	-	66,680	161,434	358,114
Accounts	-	680	-	-	680
Total assets	344,143	25,746	156,805	167,008	693,702
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	40	849	-	889
Salaries and benefits payable	-	155	-	-	155
Deferred revenue:					
Succeeding year property tax	130,000	-	66,680	161,434	358,114
Total liabilities	130,000	195	67,529	161,434	359,158
Fund balances:					
Reserved for debt service	-	-	-	5,574	5,574
Unreserved reported in:					
Special revenue funds	214,143	25,551	89,276	-	328,970
Total fund balances	214,143	25,551	89,276	5,574	334,544
Total liabilities and fund balances	344,143	25,746	156,805	167,008	693,702

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	201,934	-	61,849	158,895	422,678
Other	16,846	275,312	348	622	293,128
State sources	870	-	255	864	1,989
Total revenues	<u>219,650</u>	<u>275,312</u>	<u>62,452</u>	<u>160,381</u>	<u>717,795</u>
Expenditures:					
Current:					
Instruction:					
Regular	34,117	-	-	-	34,117
Other	-	256,334	12,375	-	268,709
Support services:					
Instructional staff	16,478	-	-	-	16,478
Administration	29,461	-	-	-	29,461
Operation and maintenance of plant	39,725	-	585	-	40,310
Transportation	23,559	-	-	-	23,559
Other expenditures:					
Facilities acquisition	-	-	55,227	-	55,227
Long-term debt:					
Principal	-	-	-	275,000	275,000
Interest and fiscal charges	-	-	-	71,491	71,491
Total expenditures	<u>143,340</u>	<u>256,334</u>	<u>68,187</u>	<u>346,491</u>	<u>814,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76,310</u>	<u>18,978</u>	<u>(5,735)</u>	<u>(186,110)</u>	<u>(96,557)</u>
Other financing sources (uses):					
Sales of real property	-	-	750	-	750
Operating transfers in	-	-	60,247	186,218	246,465
Operating transfers out	-	-	-	(60,247)	(60,247)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>60,997</u>	<u>125,971</u>	<u>186,968</u>
Net change in fund balances	76,310	18,978	55,262	(60,139)	90,411
Fund balances beginning of year	<u>137,833</u>	<u>6,573</u>	<u>34,014</u>	<u>65,713</u>	<u>244,133</u>
Fund balances end of year	<u><u>214,143</u></u>	<u><u>25,551</u></u>	<u><u>89,276</u></u>	<u><u>5,574</u></u>	<u><u>334,544</u></u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama	202	1,085	670	617
Vocal music	1,556	8,746	7,639	2,663
Band	9,714	16,447	25,532	629
Scoreboard fund	5,297	7,150	4,497	7,950
Basketball	19,379	21,623	41,002	-
Coed soccer	(9,785)	13,249	7,927	(4,463)
Baseball-softball	(22,252)	34,112	11,455	405
Track	(7,221)	23,818	16,497	100
Track repair-fund	167	791	958	-
Golf	(1,012)	4,178	3,167	(1)
Bowling	(500)	500	-	-
Football	(9,372)	29,927	20,555	-
Wrestling	(2,529)	6,215	5,472	(1,786)
Volleyball	3,111	3,938	7,049	-
Dance team	766	951	847	870
Cheerleading	535	-	200	335
FFA	2,439	18,918	21,313	44
National Honor Society	(826)	751	-	(75)
Student council	751	2,728	3,204	275
Activity ticket	6,036	15,966	22,042	(40)
Girls basketball camp	1,633	1,822	238	3,217
Juice and pop machine	563	245	808	-
History books	(5,352)	155	-	(5,197)
Yearbook middle school	2,317	481	2,290	508
Yearbook	5,232	13,615	10,332	8,515
Swing choir trip	181	7,730	7,911	-
NV boys basketball camps fund	57	1,910	1,736	231
MS student council	4,207	11,072	13,486	1,793
Spanish trip	2	-	2	-
Class of 2009	1	-	-	1
Class of 2010	1,537	140	1,019	658
Class of 2011	(108)	23,504	17,380	6,016
Class of 2012	(153)	3,360	1,106	2,101
Class of 2013	-	185	-	185
	<u>6,573</u>	<u>275,312</u>	<u>256,334</u>	<u>25,551</u>
Total	<u>6,573</u>	<u>275,312</u>	<u>256,334</u>	<u>25,551</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	3,263,173	3,171,353	3,039,974	3,025,752	2,927,106	2,926,431	2,597,762
Tuition	161,170	157,308	137,680	157,706	125,053	127,338	99,421
Other	397,834	331,650	347,326	353,245	495,234	259,834	226,266
Intermediate sources	-	-	-	-	103	-	-
State sources	3,227,689	3,846,166	3,791,546	3,446,890	3,426,585	3,383,312	3,347,324
Federal sources	325,166	249,685	183,982	186,358	191,085	202,301	220,322
Total revenues	<u>7,375,032</u>	<u>7,756,162</u>	<u>7,500,508</u>	<u>7,169,951</u>	<u>7,165,166</u>	<u>6,899,216</u>	<u>6,491,095</u>
Expenditures:							
Instruction:							
Regular	2,653,950	2,901,054	2,769,469	2,303,741	2,153,852	2,353,831	2,221,520
Special	940,099	857,693	792,189	818,833	729,609	997,283	997,607
Other	1,192,273	1,266,548	1,053,215	943,112	1,038,156	610,754	600,342
Support services:							
Student	176,161	52,152	79,660	75,520	85,252	77,039	73,845
Instructional staff	179,222	271,782	219,251	247,715	201,143	141,386	111,671
Administration	800,821	820,304	818,182	807,012	731,596	772,778	693,256
Operation and maintenance	650,440	730,112	689,551	668,638	630,562	504,911	450,698
Transportation	444,562	371,172	403,514	483,665	344,023	318,494	292,086
Non-instructional programs	-	3,257	3,047	2,764	2,492	2,310	2,337
Other expenditures:							
Facilities acquisition	931,734	1,079,557	394,867	114,925	511,367	175,248	15,807
Long-term debt:							
Principal	275,000	330,000	365,000	1,650,000	335,000	320,000	285,000
Interest and other charges	71,491	66,665	59,306	128,612	146,001	109,314	145,128
AEA flowthrough	287,118	261,611	252,005	242,400	237,121	237,625	240,419
Total expenditures	<u>8,602,871</u>	<u>9,011,907</u>	<u>7,899,256</u>	<u>8,486,937</u>	<u>7,146,174</u>	<u>6,620,973</u>	<u>6,129,716</u>

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	38,888
National School Lunch Program (non-cash)	10.555	FY10	24,676
National School Lunch Program	10.555	FY10	125,652
			<u>189,216</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	77,509
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	42,767
			<u>120,276</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	5,211
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	2,003
Grants for State Assessments and Related Activities	84.369	FY10	3,912
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY10	104,057
Green Valley Area Education Agency			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY10	37,688
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	49,722
			<u>87,410</u>
Total			<u>512,085</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Nodaway Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 31, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A and 10-II-B to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

March 31, 2011

Gary E. Horton CPA

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Independent Auditor's Report on Compliance with Requirements that Could Have a Direct
and Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Nodaway Valley Community School District with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Nodaway Valley Community School District's major federal programs for the year ended June 30, 2010. Nodaway Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Nodaway Valley Community School District's management. Our responsibility is to express an opinion on Nodaway Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nodaway Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Nodaway Valley Community School District's compliance with those requirements.

In our opinion, Nodaway Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Nodaway Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Nodaway Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures

for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nodaway Valley Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-III-A to be a material weakness.

Nodaway Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Nodaway Valley Community School District's responses and, accordingly, we express no opinion on the responses.

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

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

March 31, 2011

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Nodaway Valley Community School District did not qualify as a low-risk auditee.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal control deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants,
Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

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

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

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

Conclusion: Response accepted.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- 10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- 10-IV-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 10-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 10-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Clint Hight	Sports official	\$ 330

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

- 10-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 10-IV-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.
- 10-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 10-IV-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 10-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 10-IV-J Certified Annual Report: The Certified Annual Report was certified timely to the Iowa Department of Education.
- 10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

10-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$ 714,551
Statewide sales, services and use tax	493,047	
Bonds issued	1,045,000	
Interest	<u>10,104</u>	1,548,151
Expenditures/transfers out:		
School infrastructure:		
Buildings	958,428	
Debt service for school infrastructure:		
Revenue debt	<u>186,218</u>	<u>1,144,646</u>
Ending balance		<u>1,118,056</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 Of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service levy	.98	186,218
Physical Plant & Equipment Fund	1.62	306,829

10-IV-M Financial Condition: The General Fund has a \$793,388 deficit fund balance at June 30, 2010. Also, the Special Revenue, Student Activity Fund has several accounts with deficit balances at June 30, 2010.

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

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

Conclusion: Response accepted.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

10-IV-N Debt Service Fund The District transferred \$60,247 from the Debt Service Fund to the Physical Plant & Equipment Fund.

Recommendation: The District should consult with their attorney on the legality of this transfer as there are still general obligation bonds outstanding.

District Response: We will consult with our attorney on this matter.

Conclusion: Response accepted.