

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the**

NEVADA COMMUNITY SCHOOL DISTRICT

Nevada, Iowa

For the fiscal year ended June 30, 2010

OFFICIAL ISSUING REPORT

Brian Schaeffer

District Secretary/Treasurer

OFFICE ISSUING REPORT

Business Office

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Introductory Section



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December 17, 2010

Members of the Board of Education and Residents
Nevada Community School District
Nevada, Iowa

The comprehensive annual financial report (CAFR) of the Nevada Community School District (the "District") for the fiscal year ended June 30, 2010, is hereby submitted. The District is an independent entity governed by a five-member board. Responsibility for the accuracy and completeness of the presentation, including all disclosures, rests with the management of the District. We believe the data presented is accurate in all material respects; the data is presented to fairly set forth the financial position and results of operation of the entire District as measured by the financial activity of the various funds; and all necessary disclosures have been included in order to enable the reader to gain the maximum understanding of the District's financial affairs. The District is not included in any other reporting entity, nor are any other entities included within this reports.

This report is prepared in conformance with generally accepted accounting principles (GAAP) for governments as promulgated by the Government Accounting Standards Board (GASB). This report is consistent with the legal reporting requirements of the State of Iowa. In addition to meeting legal requirements, this report is intended to present a comprehensive summary of significant financial data to meet the needs of citizens, taxpayers, employees, financial institutions, intergovernmental agencies, creditors, and the Board of Education.

The comprehensive annual financial report is presented in the following four sections:

1. The **introductory section**, which is unaudited, includes this letter of transmittal, a list of the Board of Education, a list of principal District officials and an organizational chart.
2. The **financial section** includes the independent auditor's report, Management's Discussion and Analysis, audited basic financial statements, required supplementary information, and combining and individual fund statements and schedules.
3. The **statistical section**, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.
4. The **single audit section** included the schedules and various independent auditors' reports required by the Single Audit Amendment of 1996.

"We are committed to providing quality educational experiences in a positive learning environment."

The Reporting Entity

This report includes all funds and account groups of the Nevada Community School District. The District is supported financially by state aid, property taxes, state, and federal grants for special projects, and local revenue received for tuition and other services.

The District was established in 1867 and is governed by a five-member elected Board of Education who serve four-year terms. The Board of Education is a policy-making and planning body whose decisions are carried out by school administrators. The enrollment of the District is approximately 1,470 students, the 68th largest school district in Iowa. The District operates a high school, a middle school, and an elementary school. The District provides a full range of educational services appropriate to students in early childhood and grades kindergarten through twelve. These services include basic, regular and enriched academic education, special education for children with special needs, vocational education, and individualized programs such as specialized instruction for students at-risk.

Economic Condition and Outlook

The District is located in central Iowa and enjoys a favorable economic environment. Nevada is the county seat of Story County and is located close to the major Iowa cities of Ames and Des Moines, both sources of employment for citizens of the District. Nevada has an economic development council which employs a full-time director. This council has developed commercial and light industrial parks on the west and southeast sides of Nevada which has attracted many new businesses.

Story County's 2009 population was estimated at 87,214. This was an increase of 12,960 residents over the 1990 census figure. Story County's unemployment rate of 5.7% compares favorably to the state's average rate of 6.7% and the national rate of 9.5%. There has been some indication that overall employment in Nevada may be stabilizing after a decline in manufacturing activity in Ames and Des Moines due to the current economic downturn.

Major Initiatives for the Year

The Board of Education continued with expansion and improvement of school facilities during the 2009-10 school year. Phased construction of the addition and remodel of the High School began at this time with the new science and special education wing added to the west side of the facility and drilling for geothermal heating and cooling south of the facility. Future work will include an overall remodel of the classrooms in the High School and renovation of lights, locker rooms, and seating in the gymnasium.

In July 2009, the Board approved applying for funds from the Federal Emergency Management Agency (FEMA) for a tornado safe room. The District was notified in September that the grant had been approved. Architects then began the design process for the facility, which will include a new central entrance for the High School and administrative offices.

A community auditorium committee continued the process of fundraising to construct an auditorium to be attached to the High School. In February, the Board reviewed information being provided by the committee to community clubs and individuals for fundraising. Two million dollars has been awarded to the auditorium from the local Josephine Tope Foundation provided that all fundraising be completed by March 2011.

Administration continued work on the Iowa Core Curriculum which will be created in 2010 to be in place by July 1, 2012 at the High School level. The Iowa Core Curriculum is based on State standards for schools and is to insure the success of each and every student and helps each student learn essential skills. By the 2014-15 school year, full implementation of the Iowa Core Curriculum will be in place in all grades.

Raphael "Ray" Murray announced during the year that he was retiring as High School Principal after 22 years of service to the District. Administration and the Board organized an interview process which included District management, students, and community members. Five candidates came to Nevada for formal interviews. On March 8, the Board announced that they had hired Justin Gross from Missouri Valley for the position.

Financial Information

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. To monitor the adequacy of internal controls, independent auditors review internal control procedures as a part of their examination of financial records at year-end.

Budgetary Controls: The District also maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Activities of the general fund, special revenue funds, debt service fund, capital projects fund, enterprise fund and expendable trust funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by program level for all funds combined rather than at the individual fund level.

Annually, the District's Board of Education adopts a budget and approves the appropriations for the general fund, special revenue funds, capital projects fund, debt service fund, enterprise fund, and expendable trust funds in accordance with provisions outlined in the Statutes of the State of Iowa. The budgets prepared on a cash basis list estimates of receipts and disbursements.

Financial Profile: As demonstrated by the statements and schedules included in the financial section of this report, the District is meeting its responsibility for sound financial management. One way this is accomplished is by adoption of a line-item budget by the Board of Education. This budget and the actual expenditures are then reviewed by the superintendent and business manager on a monthly basis and by the Board of Education on a quarterly basis.

Most District functions are financed through the governmental fund types, which include the general, special revenue, debt service and capital project funds. Please see the Management's Discussion and Analysis in the Financial Section of this report for detailed information.

Cash Management: Cash, while temporarily idle during the year, was invested in certificates of deposit or allowed to earn the competitive rate of interest by being held in interest-bearing checking accounts. The overall interest rates during the year remained low due to the Federal Reserve's actions to lower interest rates to stimulate lending. Interest on investments resulted in earnings of \$74,168, excluding interest from Capital Project funds of \$67,046, as of June 30, 2010.

Risk Management: The District currently covers property, liability, and workers' compensation losses with traditional insurance coverage through the Iowa Association of School Boards' group plan carried by EMC Insurance Companies. Wellmark Blue Cross Blue Shield of Iowa carries the group health plan and Assurance Employee Benefits carries the long-term disability plan.

Independent Audit: The accounting firm of Nolte, Cornman & Johnson, P.C. of Newton, Iowa, performs the annual audit in accordance with Chapter 11 of the Code of Iowa. The auditor's report on the general

purpose financial statements, combining and individual fund statements and other schedules is included in the financial section of this report.

Certificate of Excellence in Financial Reporting

The Association of School Business Officials (ASBO) awards the Certificate of Excellence in Financial Reporting. The Nevada Community School District received this certificate for the tenth time in ten years for its comprehensive annual financial report for the fiscal year ending June 30, 2009. The certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

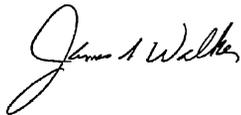
In order to be eligible to receive the certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The certificate is valid for a period of one year only. We believe that our current CAFR conforms to the requirements for this award and therefore, we are submitting it to ASBO to determine its eligibility for this certificate.

Acknowledgement

The preparation of this report could not have been accomplished without the cooperation of all District departments. Thanks also to the Board of Education for providing the resources necessary to complete this report.

Respectfully submitted,



James S. Walker
Superintendent



Brian Schaeffer
Board Secretary/Treasurer/Business Manager

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

NEVADA COMMUNITY SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Erin Green

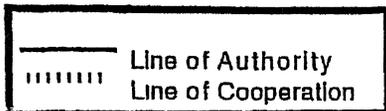
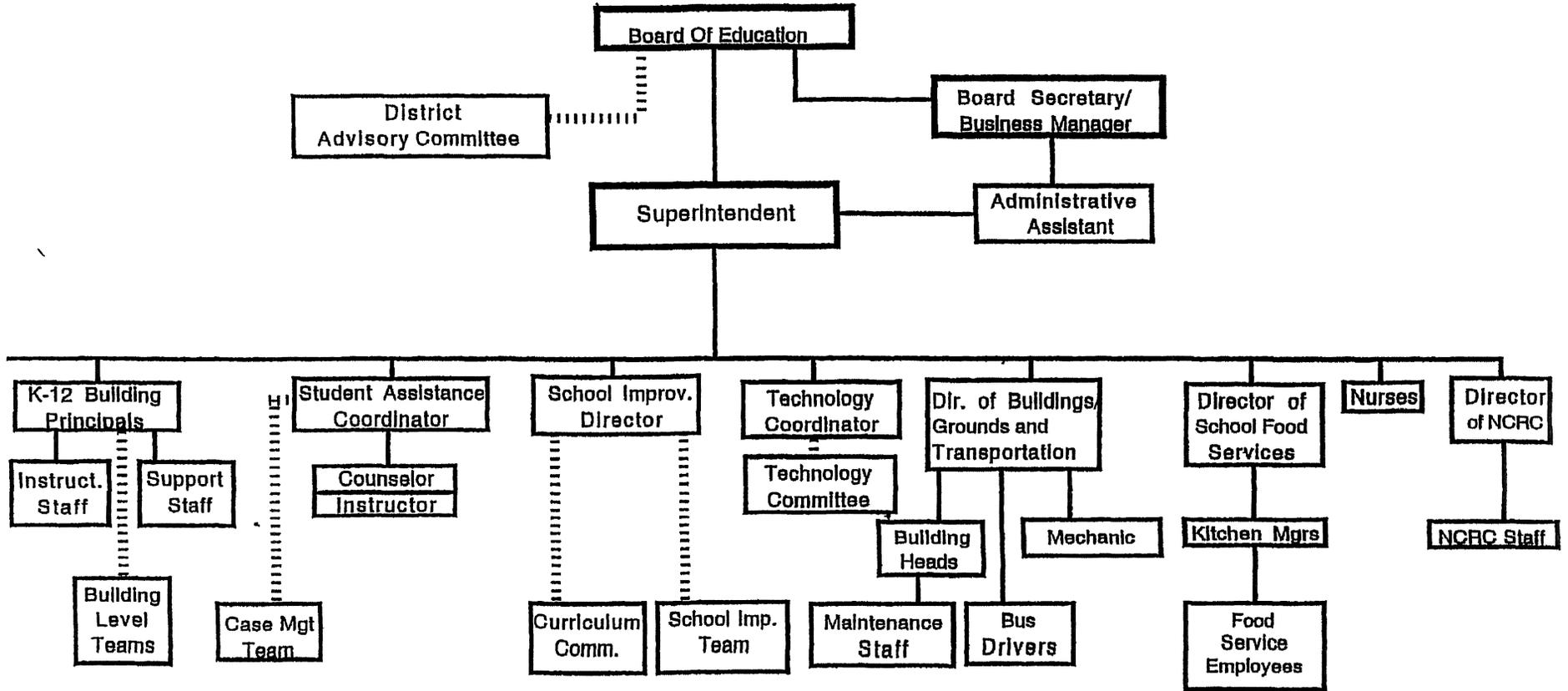
President

John D. Munn

Executive Director

NEVADA COMMUNITY SCHOOL DISTRICT
Nevada, Iowa

ORGANIZATIONAL PLAN



Nevada Community School District

Board of Education and School District Administration

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u> (Before September 2009 Election)		
Curt Hoff	President	2011
Marty Chitty	Vice President	2011
Marcia Engler	Board Member	2011
David Laird	Board Member	2009
Mike Bates	Board Member	2009
<u>Board of Education</u> (After September 2009 Election)		
Curt Hoff	President	2011
Marty Chitty	Vice President	2011
Marcia Engler	Board Member	2011
David Sutherland	Board Member	2013
Mike Bates	Board Member	2013
<u>School Officials</u>		
James Walker	Superintendent	2010
Raphael Murray	Principal, Nevada High School	2010
Christine Schmidt	Principal, Nevada Middle School	2010
Kathy Goecke	Principal, Central Elementary School	2010
David McCaulley	Assistant Principal and Activities Director, Nevada High School	2010
Nancy Port	School Improvement Director	2010
Brian Schaeffer	Board Secretary/Treasurer and Business Manager	2010
Margaret Ann Malvern	Director, Technology	2010
Richard Scott	Director, Maintenance & Transportation	2010
Diana Weber	Director, Food Service	2010
Ron Peeler	Attorney	Indefinite

Financial Section

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Nevada Community School District:

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Nevada Community School District, Nevada, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2010 on our consideration of the Nevada 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 12 through 18 and 48 through 50 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 Nevada Community School District's basic financial statements. The combining and individual fund financial statements and schedules, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of

Members American Institute & Iowa Society of Certified Public Accountants

States and Local Governments and Non-Profit Organizations, listed in the table of contents under the single audit section, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Nevada Community School District. Such information has been subjected to the auditing procedures applied in the 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.

The accompanying statistical section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

December 17, 2010

NEVADA COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management has prepared the following discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2010 in order to enhance the readers' understanding of the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net assets for governmental activities were \$12,704,857 at June 30, 2010 compared to \$11,616,816 at June 30, 2009, an increase of 8.56%.
- At the end of the current fiscal year, unreserved fund balance in the general fund was \$516,918 or 3.85% of total general fund revenues compared to prior years unreserved fund balance of \$534,479 or 3.94% of total general fund revenues.
- Work continued on the High School remodel and renovation project during the school year.
- The State of Iowa cut State funding sources across the board by 10% for the 2009-10 school year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Nevada Community School District's basic financial statements.

The Basic Financial Statements include two types of statements that present different views of the District's finances. The first is the government-wide statements. These statements are presented on a full accrual basis of accounting and include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets includes all of the District's assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due dates for liabilities. This statement provides a summary of the District's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the District's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second type of statement included in the basic financial statements is the fund financial statements, which are presented for the Board's governmental funds and proprietary fund. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statement provides information about the District as an economic unit while the fund financial statements provide information on the financial resources of the District's funds. The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. earned but unused vacation leave).

Government-wide statements

The government-wide financial statements report information about the District as a whole using the 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 paid or received.

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

- Over time, an increase or decrease in the District's net assets may indicate whether its financial position is improving or deteriorating.
- To assess the District's overall financial health, one needs to consider additional non-financial factors such as changes in the condition of its school buildings and other physical assets.

The District's activities are divided into two categories on the government-wide statements:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Local funding, as well as state and federal aid, finances most of these activities.
- **Business type activities:** The District charges fees to cover the costs of certain services it provides. School food service is included here.

Fund Financial Statements

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

The District has three types of funds:

Governmental funds: Most of the District's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flows in and out and the balances remaining at year-end that are available for spending. As a result of this focus, the governmental funds 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 term to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds, in the form of a reconciliation, explains the relationship (or differences) between them.

Proprietary Fund: Services for which the District charges a fee are generally reported in the proprietary fund. The proprietary fund statements are reported on the same basis of accounting as the government-wide statements – full accrual. The District has one proprietary fund – the School Nutrition Fund.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. The fiduciary fund statements are reported on the same basis of accounting as the government-wide statements – full accrual. These funds include Private-Purpose Trust and Agency funds.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets are an indicator of the fiscal health of the District. The District's net assets were \$12,868,694 at June 30, 2010 compared to \$11,730,375 at June 30, 2009. (See Table 1).

Table 1
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 17,998,801	11,314,479	169,490	108,723	18,168,291	11,423,202	59.05%
Capital assets	20,608,018	15,142,735	58,047	57,877	20,666,065	15,200,612	35.96%
Total assets	38,606,819	26,457,214	227,537	166,600	38,834,356	26,623,814	45.86%
Long-term obligations	18,212,634	8,243,467	305	206	18,212,939	8,243,673	120.93%
Other liabilities	7,689,328	6,596,931	63,395	52,835	7,752,723	6,649,766	16.59%
Total liabilities	25,901,962	14,840,398	63,700	53,041	25,965,662	14,893,439	74.34%
Net assets:							
Invested in capital assets, net of related debt	2,504,113	7,115,034	58,047	57,877	2,562,160	7,172,911	-64.28%
Restricted	9,680,807	3,899,173	-	-	9,680,807	3,899,173	148.28%
Unrestricted	519,937	602,609	105,790	55,682	625,727	658,291	-4.95%
Total net assets	\$ 12,704,857	11,616,816	163,837	113,559	12,868,694	11,730,375	9.70%

Invested in capital assets (e.g., land, buildings, machinery and equipment) less any outstanding debt used to acquire those assets is \$2,562,160. These assets are not available for future spending since they represent capital assets used to provide services to students. The resources needed to pay the debt related to these capital assets must be provided from other resources. Approximately \$9,680,807 of net assets reflects amounts with external restrictions on how the funds may be used. The remaining balance of \$625,727 represents unrestricted net assets which may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

The following table shows changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

Table 2
Changes of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities				Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 1,051,115	1,125,922	394,698	389,375	1,445,813	1,515,297	-4.59%
Operating grants and contributions and restricted interest	2,897,484	1,910,991	312,259	256,107	3,209,743	2,167,098	48.11%
General revenues:							
Property tax	4,704,187	4,367,815	-	-	4,704,187	4,367,815	7.70%
Income surtax	381,785	367,425	-	-	381,785	367,425	3.91%
Statewide sales, services and use tax	1,467,841	1,549,800	-	-	1,467,841	1,549,800	-5.29%
Unrestricted state grants	5,777,496	6,806,429	-	-	5,777,496	6,806,429	-15.12%
Other	215,565	267,675	282	976	215,847	268,651	-19.66%
Total revenues	16,495,473	16,396,057	707,239	646,458	17,202,712	17,042,515	0.94%
Program expenses:							
Governmental activities:							
Instructional	9,345,206	9,597,385	-	-	9,345,206	9,597,385	-2.63%
Support services	4,142,285	4,717,494	13,700	13,560	4,155,985	4,731,054	-12.16%
Non-instructional programs	4,622	14,535	643,261	648,810	647,883	663,345	-2.33%
Other expenses	1,915,319	1,564,424	-	-	1,915,319	1,564,424	22.43%
Total expenses	15,407,432	15,893,838	656,961	662,370	16,064,393	16,556,208	-2.97%
Changes in net assets before extraordinary item	1,088,041	502,219	50,278	(15,912)	1,138,319	486,307	134.07%
Extraordinary item	-	(37,282)	-	-	-	(37,282)	-100.00%
Changes in net assets	1,088,041	464,937	50,278	(15,912)	1,138,319	449,025	153.51%
Beginning net assets	11,616,816	11,151,879	113,559	129,471	11,730,375	11,281,350	3.98%
Ending net assets	\$ 12,704,857	11,616,816	163,837	113,559	12,868,694	11,730,375	9.70%

Property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 71.68% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84.04% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$16,495,473 and expenses were \$15,407,432.

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.

Table 3
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change	2010	2009	Change
			2009-10			2009-10
Instruction	\$ 9,345,206	9,597,385	-2.63%	\$ 6,055,596	7,112,130	-14.86%
Support services	4,142,285	4,717,494	-12.19%	4,115,337	4,671,934	-11.91%
Non-instructional programs	4,622	14,535	-68.20%	4,622	14,535	-68.20%
Other expenses	1,915,319	1,564,424	22.43%	1,283,278	1,058,326	21.26%
Totals	<u>\$ 15,407,432</u>	<u>15,893,838</u>	<u>-3.06%</u>	<u>\$ 11,458,833</u>	<u>12,856,925</u>	<u>-10.87%</u>

- The cost financed by users of the District's programs was \$1,051,115.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,897,484.
- The net cost of governmental activities was financed with \$4,704,187 in property tax, \$381,785 in income surtax, \$1,467,841 in statewide sales, services and use tax, \$5,777,496 in unrestricted state grants and \$215,565 in other income.

Business Type Activities

Revenues of the District's business type activities were \$707,239 and expenses were \$656,961. 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.

During the year ended June 30, 2010, the District's net assets increased in the business type activities by \$50,278.

Financial Analysis of the District's Funds

At the end of the fiscal year ended June 30, 2010, the District's governmental funds reported combined ending fund balances of \$10,216,366, an increase of \$5,733,850 in comparison with the prior year. Of this amount, \$4,092,187 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

Governmental Fund Highlights

The District's General Fund financial position increased to \$855,674 at June 30, 2010 from \$727,507 at June 30, 2009, representing a 17.62% increase. Both the revenues and expenditures increased during the year, however, total expenditures exceeded total revenues resulting in a decrease in fund balance.

The Capital Projects fund balance increased \$2,257,630 during the year. Compared to prior year, the total expenditures increased with the majority of the construction costs associated with the High School remodeling project. The District also issued \$11,100,000 in revenue bonds during the year for school infrastructure.

The Debt Service fund balance increased \$3,264,975 to an ending balance of \$4,689,477 at June 30, 2010. The primary reason for the increase is due to the District issuing revenue bonds during the year and the transfer of funds to set up debt sinking accounts.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue and expenditures associated with the elementary building capital project activity. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for individual funds are not presented in the budgetary comparison on page 48.

The District's total actual receipts were \$258,078 less than the total budgeted receipts, a variance of 1.48%. The most significant change resulted in the District receiving less in state sources than originally anticipated.

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 the actual expenditures during the year.

In spite of the District's practice, expenditures in the instruction, non-instructional programs functional area exceeded the certified budget.

Capital Asset and Debt Administration

Capital Assets

The District's invested in capital assets for its governmental and business type activities as of June 30, 2010, amounts to \$20,666,065 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, vehicles and equipment. Detailed information regarding the District's capital assets can be found in Note 6 of the notes to the basic financial statements.

During the year ended June 30, 2010, the District started construction work on the High School remodel and renovation project with increased the construction in progress. The decrease in buildings was due to annual depreciation. The decrease in land improvements was to due to annual depreciation. The decrease in machinery and equipment was to due to annual depreciation was greater than the two new van purchases made during the year.

Table 4
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 231,244	231,244	0	0	231,244	231,244	0.00%
Construction in progress	6,320,961	611,506	0	0	6,320,961	611,506	100.00%
Buildings	13,308,369	13,500,945	0	0	13,308,369	13,500,945	-1.43%
Land improvements	303,732	318,419	0	0	303,732	318,419	-4.61%
Machinery and equipment	443,712	480,621	58,047	57,877	501,759	538,498	-6.82%
Total	\$ 20,608,018	15,142,735	58,047	57,877	20,666,065	15,200,612	35.96%

Long-Term Debt

At the end of June 30, 2010, the District had total long-term debt of \$18,212,939, an increase of \$9,969,266 from the prior fiscal year. Of this amount, \$1,162,236 is due within one year. Detailed information regarding the District's long-term debt can be found in Note 7 of the notes to the basic financial statements.

Table 5
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 3,620,000	3,865,000	-6.34%
Revenue bonds	14,310,000	3,940,000	263.20%
Capital lease obligations	173,905	222,701	-21.91%
Early retirement	7,320	114,641	-93.61%
Compensated Absences	49,932	66,978	-25.45%
Net OPEB liability	51,782	34,353	50.74%
Totals	\$ 18,212,939	8,243,673	120.93%

Economic Factors and Next Year's Budgets and Rates

- The recession that has impacted the State of Iowa's budget resulted in a 10% across the board cut in October 2009 for state aid funding. Future increases in state aid to schools will be based upon the condition of the state and national economy. Further, the 2010 Legislature approved federal stimulus funds (from the American Recovery and Reinvestment Act of 2009) which showed as a replacement of state aid monies for fiscal year 2010. What happens when the stimulus funds expire will have an adverse impact on the District's General Fund budget.
- District enrollment decreased in fiscal year 2010 by 26 students, 1.8% of the enrollment of 1,496 in fiscal year 2009. District funding is highly dependent upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District continues to see increases in the cost of special education programs in the District and outside of the District. Many students are tuitioned out of the District for special education programs. The current state funding mechanism in place for special education programs recovers a program deficit by placing the burden on local property taxes. The District had the third highest tax levy in Story County during Fiscal Year 2010. Whether the District can continue to raise the local tax levy for any education program will be a future concern.

Requests for Information

This financial report is designed to provide our 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 any questions about this report or need additional information, contact the District's Business Office.

Basic Financial Statements

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 7,194,826	123,391	7,318,217
U.S. Treasury Securities on deposit with escrow agent	4,678,495	-	4,678,495
Receivables:			
Property tax:			
Delinquent	50,124	-	50,124
Succeeding year	5,184,296	-	5,184,296
Income surtax	371,258	-	371,258
Accounts	12,175	1,717	13,892
Accrued interest	15,380	-	15,380
Due from other governments	492,247	-	492,247
Inventories	-	44,382	44,382
Capital assets not being depreciated:			
Land	231,244	-	231,244
Construction in progress	6,320,961	-	6,320,961
Capital assets being depreciated, net of accumulated depreciation:			
Buildings	13,308,369	-	13,308,369
Land improvements	303,732	-	303,732
Machinery and equipment	443,712	58,047	501,759
TOTAL ASSETS	38,606,819	227,537	38,834,356
LIABILITIES			
Accounts payable	785,552	9,647	795,199
Salaries and benefits payable	1,058,369	40,184	1,098,553
Due to other governments	166,196	-	166,196
Interest payable	278,151	-	278,151
Deferred revenue:			
Succeeding year property tax	5,184,296	-	5,184,296
Other	216,764	-	216,764
Unearned revenue	-	13,564	13,564
Long-term liabilities:			
Portion due within one year:			
Bonds payable	260,000	-	260,000
Revenue bonds payable	760,000	-	760,000
Capital lease payable	84,984	-	84,984
Compensated absences payable	49,932	-	49,932
Early retirement payable	7,320	-	7,320
Portion due after one year:			
Bonds payable	3,360,000	-	3,360,000
Revenue bonds payable	13,550,000	-	13,550,000
Capital lease payable	88,921	-	88,921
Early retirement payable	-	-	-
Net OPEB liability	51,477	305	51,782
TOTAL LIABILITIES	25,901,962	63,700	25,965,662
NET ASSETS			
Invested in capital assets, net of related debt	2,504,113	58,047	2,562,160
Restricted for:			
Debt service	5,785,423	-	5,785,423
Categorical funding	284,756	-	284,756
Capital projects	3,269,576	-	3,269,576
Physical plant and equipment levy	184,059	-	184,059
Other special revenue purposes	157,293	-	157,293
Unrestricted	519,637	105,790	625,427
TOTAL NET ASSETS	\$ 12,704,857	163,837	12,868,694

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 6,010,536	619,734	1,750,348	(3,640,454)	-	(3,640,454)
Special instruction	1,631,619	101,379	341,976	(1,188,264)	-	(1,188,264)
Other instruction	1,703,051	309,095	167,078	(1,226,878)	-	(1,226,878)
	<u>9,345,206</u>	<u>1,030,208</u>	<u>2,259,402</u>	<u>(6,055,596)</u>	<u>-</u>	<u>(6,055,596)</u>
Support services:						
Student services	722,101	-	-	(722,101)	-	(722,101)
Instructional staff services	589,891	-	-	(589,891)	-	(589,891)
Administration services	1,140,944	-	-	(1,140,944)	-	(1,140,944)
Operation and maintenance of plant services	1,199,756	-	-	(1,199,756)	-	(1,199,756)
Transportation services	489,593	20,907	6,041	(462,645)	-	(462,645)
	<u>4,142,285</u>	<u>20,907</u>	<u>6,041</u>	<u>(4,115,337)</u>	<u>-</u>	<u>(4,115,337)</u>
Non-instructional programs	4,622	-	-	(4,622)	-	(4,622)
Other expenditures:						
Facilities acquisitions	327,584	-	78,424	(249,160)	-	(249,160)
Long-term debt interest	826,855	-	-	(826,855)	-	(826,855)
AEA flowthrough	553,617	-	553,617	-	-	-
Depreciation(unallocated)*	207,263	-	-	(207,263)	-	(207,263)
	<u>1,915,319</u>	<u>-</u>	<u>632,041</u>	<u>(1,283,278)</u>	<u>-</u>	<u>(1,283,278)</u>
Total governmental activities	15,407,432	1,051,115	2,897,484	(11,458,833)	-	(11,458,833)
Business Type activities:						
Support services:						
Operation and maintenance of plant services	13,700	-	-	-	(13,700)	(13,700)
Non-instructional programs:						
Nutrition services	643,261	394,698	312,259	-	63,696	63,696
	<u>656,961</u>	<u>394,698</u>	<u>312,259</u>	<u>-</u>	<u>49,996</u>	<u>49,996</u>
Total	\$ 16,064,393	1,445,813	3,209,743	(11,458,833)	49,996	(11,408,837)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,972,925	-	3,972,925
Debt service				407,479	-	407,479
Capital outlay				323,783	-	323,783
Income surtax				381,785	-	381,785
Statewide sales, services and use tax				1,467,841	-	1,467,841
Unrestricted state grants				5,777,496	-	5,777,496
Unrestricted investment earnings				140,386	282	140,668
Gain on sale of capital assets				11,169	-	11,169
Miscellaneous				64,010	-	64,010
Total general revenues				<u>12,546,874</u>	<u>282</u>	<u>12,547,156</u>
Changes in net assets				1,088,041	50,278	1,138,319
Net assets beginning of year				<u>11,616,816</u>	<u>113,559</u>	<u>11,730,375</u>
Net assets end of year				<u>\$ 12,704,857</u>	<u>163,837</u>	<u>12,868,694</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEVADA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
ASSETS					
Cash and pooled investments	\$ 2,070,106	\$ 4,725,116	\$ 6,402	\$ 393,202	\$ 7,194,826
U.S. Treasury Securities on deposit with escrow agent	-	-	4,678,495	-	4,678,495
Receivables:					
Property tax					
Delinquent	38,580	-	4,580	6,964	50,124
Succeeding year	4,215,635	-	409,410	559,251	5,184,296
Income surtax	371,258	-	-	-	371,258
Interfund	220,726	-	-	-	220,726
Accounts	11,528	-	-	647	12,175
Accrued interest	11,885	3,495	-	-	15,380
Due from other governments	255,220	237,027	-	-	492,247
TOTAL ASSETS	\$ 7,194,938	\$ 4,965,638	\$ 5,098,887	\$ 960,064	\$ 18,219,527
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ -	\$ 220,726	\$ -	\$ -	\$ 220,726
Accounts payable	311,042	379,390	-	95,120	785,552
Salaries and benefits payable	1,058,369	-	-	-	1,058,369
Due to other governments	166,196	-	-	-	166,196
Deferred revenue:					
Succeeding year property tax	4,215,635	-	409,410	559,251	5,184,296
Income surtax	371,258	-	-	-	371,258
Other	216,764	-	-	-	216,764
Total liabilities	6,339,264	600,116	409,410	654,371	8,003,161
Fund balances:					
Reserved for:					
Debt service	-	1,095,946	4,689,477	-	5,785,423
Categorical funding	284,756	-	-	-	284,756
Unreserved:					
Designated for special purpose:					
Wind turbine maintenance	54,000	-	-	-	54,000
Undesignated:					
General	516,918	-	-	-	516,918
Capital Projects Fund	-	3,269,576	-	-	3,269,576
Nonmajor Special Revenue Funds	-	-	-	305,693	305,693
Total fund balances	855,674	4,365,522	4,689,477	305,693	10,216,366
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,194,938	\$ 4,965,638	\$ 5,098,887	\$ 960,064	\$ 18,219,527

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEVADA 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(page 22)	\$ 10,216,366
<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 in the governmental funds.	20,608,018
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.	(278,151)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	371,258
Long-term liabilities, including bonds payable, capital leases payable, early retirement payable, compensated absences payable 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>(18,212,634)</u>
Net assets of governmental activities(page 20)	<u><u>\$ 12,704,857</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
REVENUES					
Local sources					
Local tax	\$ 3,998,689	\$ 1,467,841	\$ 407,479	\$ 635,556	\$ 6,509,565
Tuition	666,435	-	-	-	666,435
Other	222,092	67,046	28,544	323,336	641,018
Intermediate sources	9,509	-	-	-	9,509
State sources	7,279,389	-	214	343	7,279,946
Federal sources	1,255,159	78,424	-	-	1,333,583
Total revenues	<u>13,431,273</u>	<u>1,613,311</u>	<u>436,237</u>	<u>959,235</u>	<u>16,440,056</u>
EXPENDITURES					
Current					
Instruction					
Regular	5,913,776	-	-	194,693	6,108,469
Special	1,628,175	-	-	-	1,628,175
Other	1,413,287	-	-	289,764	1,703,051
	<u>8,955,238</u>	<u>-</u>	<u>-</u>	<u>484,457</u>	<u>9,439,695</u>
Support services					
Student	721,364	-	-	2,025	723,389
Instructional staff	447,961	117,318	-	24,297	589,576
Administration	1,129,544	-	-	682	1,130,226
Operation and maintenance of plant	1,031,036	-	-	167,572	1,198,608
Transportation	448,927	-	-	27,198	476,125
	<u>3,778,832</u>	<u>117,318</u>	<u>-</u>	<u>221,774</u>	<u>4,117,924</u>
Non-instructional programs	4,622	-	-	-	4,622
Other expenditures					
Facilities acquisitions	-	5,891,148	-	145,891	6,037,039
Long-term debt					
Principal	-	-	1,023,796	-	1,023,796
Interest and fiscal charges	-	-	561,658	-	561,658
AEA flowthrough	553,617	-	-	-	553,617
	<u>553,617</u>	<u>5,891,148</u>	<u>1,585,454</u>	<u>145,891</u>	<u>8,176,110</u>
Total expenditures	<u>13,292,309</u>	<u>6,008,466</u>	<u>1,585,454</u>	<u>852,122</u>	<u>21,738,351</u>
Excess(deficiency) of revenues over(under) expenditures	138,964	(4,395,155)	(1,149,217)	107,113	(5,298,295)
Other financing sources(uses)					
Sale of equipment	11,169	-	-	-	11,169
Costs on issuance of bonds	-	(140,091)	-	-	(140,091)
Proceeds from issuance of bonds	-	11,100,000	-	-	11,100,000
Accrued interest	-	-	21,678	-	21,678
Premium on issuance of bonds	-	39,389	-	-	39,389
Transfers in	-	-	4,392,514	-	4,392,514
Transfers out	(21,966)	(4,346,513)	-	(24,035)	(4,392,514)
Total other financing sources(uses)	<u>(10,797)</u>	<u>6,652,785</u>	<u>4,414,192</u>	<u>(24,035)</u>	<u>11,032,145</u>
Net change in fund balances	128,167	2,257,630	3,264,975	83,078	5,733,850
Fund balances beginning of year	<u>727,507</u>	<u>2,107,892</u>	<u>1,424,502</u>	<u>222,615</u>	<u>4,482,516</u>
Fund balances end of year	<u>\$ 855,674</u>	<u>\$ 4,365,522</u>	<u>\$ 4,689,477</u>	<u>\$ 305,693</u>	<u>\$ 10,216,366</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEVADA 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(page 24) \$ 5,733,850

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 5,721,005	
Depreciation expense	<u>(255,722)</u>	5,465,283

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(11,100,000)	
Repaid	<u>1,023,796</u>	(10,076,204)

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.

(186,173)

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

44,248

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.

Early retirement	107,321	
Compensated absences	17,046	
Other postemployment benefits	<u>(17,330)</u>	<u>107,037</u>

Changes in net assets of governmental activities(page 21) \$ 1,088,041

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUND

JUNE 30, 2010

	<u>School Nutrition</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 123,391
Accounts receivable	1,717
Inventories	44,382
Total current assets	<u>169,490</u>
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	<u>58,047</u>
TOTAL ASSETS	<u>227,537</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	9,647
Salaries and benefits payable	40,184
Unearned revenue	13,564
Total current liabilities	<u>63,395</u>
Long-term liabilities:	
Net OPEB liability	<u>305</u>
TOTAL LIABILITIES	<u>63,700</u>
<u>NET ASSETS</u>	
Invested in capital assets	58,047
Unrestricted	105,790
Total net assets	<u>\$ 163,837</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND

YEAR ENDED JUNE 30, 2010

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	<u>\$ 394,698</u>
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	532
Supplies	<u>13,168</u>
Total support services	<u>13,700</u>
Non-instructional programs:	
Food service operations:	
Salaries	269,723
Benefits	43,332
Services	9,125
Supplies	312,964
Depreciation	<u>8,117</u>
Total non-instructional programs	<u>643,261</u>
TOTAL OPERATING EXPENSES	<u>656,961</u>
OPERATING LOSS	<u>(262,263)</u>
NON-OPERATING REVENUES:	
State sources	6,126
Federal sources	306,133
Interest on investments	<u>282</u>
TOTAL NON-OPERATING REVENUES	<u>312,541</u>
Change in net assets	50,278
Net assets beginning of year	<u>113,559</u>
Net assets end of year	<u>\$ 163,837</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE

YEAR ENDED JUNE 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 384,317
Cash received from miscellaneous sources	11,920
Cash payments to employees for services	(312,367)
Cash payments to suppliers for goods or services	<u>(269,915)</u>
Net cash used in operating activities	<u>(186,045)</u>
Cash flows from non-capital financing activities:	
State grants received	6,126
Federal grants received	<u>244,305</u>
Net cash provided by non-capital financing activities	<u>250,431</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(8,287)</u>
Cash flows from investing activities:	
Interest on investments	<u>282</u>
Net increase in cash and cash equivalents	56,381
Cash and cash equivalents at beginning of year	<u>67,010</u>
Cash and cash equivalents at end of year	<u>\$ 123,391</u>

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE

YEAR ENDED JUNE 30, 2010

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (262,263)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	61,828
Depreciation	8,117
Increase in inventories	(4,591)
Decrease in accounts receivable	205
Increase in accounts payable	8,637
Increase in salaries and benefits payable	589
Increase in unearned revenue	1,334
Increase in other postemployment benefits	99
Net cash used in operating activities	<u>\$ (186,045)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR
 END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE
 SHEET:

Current assets:	
Cash and investments	<u>\$ 123,391</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal
 commodities valued at \$61,828.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2010

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 37,070	\$ 14,612
Accrued interest	105	0
Due from other groups	0	30
TOTAL ASSETS	<u>37,175</u>	<u>14,642</u>
LIABILITIES		
Accounts payable	0	37
Due to other groups	0	14,605
TOTAL LIABILITIES	<u>0</u>	<u>14,642</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 37,175</u>	<u>\$ 0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

NEVADA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2010

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 9,783
Interest	547
Total additions	10,330
Deductions:	
Instructional:	
Scholarships awarded	9,869
Student services:	
Supplies	777
	10,646
Change in net assets	(316)
Net assets beginning of year	37,491
Net assets end of year	\$ 37,175

SEE NOTES TO BASIC FINANCIAL STATEMENTS

NEVADA COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies

The Nevada Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Nevada, Iowa, and the predominate agricultural territory in Story County. 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Nevada 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 Nevada Community School District has no component units which 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 do 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 Story County Assessors' 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 activities of the District, with omission of the fiduciary funds. 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 support.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District also reports the following proprietary fund:

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

The District also reports the following fiduciary funds:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

The District maintains its financial records on the accrual basis.

D. Cash, Pooled Investments and Cash Equivalents

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

E. Property Taxes

Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its

budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

F. Inventories

The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The Enterprise Fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

G. Capital Assets

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Intangibles	5-20 years
Machinery and equipment	5-20 years

H. Salaries and Benefits Payable

Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2010, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2010.

I. Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents 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 revenues consist of unspent federal grant proceeds, succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

J. Unearned Revenues

Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

K. Compensated Absences

District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the statement of net assets and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The full balance is shown as due within a year using first-in, first-out basis.

L. Long-term Obligations

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.

M. Fund Balances

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

N. Designated Fund Balances

In the governmental fund financial statements, designated funds are not available for appropriation but are set aside for a specific purpose. The designated fund balance is a reserve for wind turbine maintenance.

O. Restricted Net Assets

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

Net assets restricted through enabling legislation consists of \$5,785,423 for debt service, \$284,756 for categorical funding, \$3,269,576 for capital projects, \$184,059 for physical plant and equipment levy and \$157,293 for other special revenue purposes.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the District's Board of Education annually adopts a single district wide budget and approves the related appropriations following required public notice and hearing for all funds. The budgets and related appropriations as well as the financial statements are prepared on the modified accrual basis or accrual basis of accounting. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of disbursements known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

The Board of Education follows these procedures in establishing budgetary data reflected in the financial statements:

1. In accordance with the Statutes of the State of Iowa, prior to February 15, the Board Secretary submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures or expenses and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding years. This budget is submitted in summary form, with an administrative control. The legal level of control for the detailed budget is at the functional area level.
2. Public hearings are required to be conducted to obtain taxpayer comment.
3. Prior to April 15, the budget is legally enacted through certification from the County Auditor.
4. Management is authorized to transfer budgeted amounts between departments within any functional area; however, any revisions that alter the total expenditures or expenses of any functional area must be approved by the Board of Education.
5. The Board of Education may amend the budget during the year by holding public hearings and certifying the amendment with the County Auditor
6. Encumbrances are not recognized in the budgetary process and appropriations lapse at the end of each fiscal year.
7. The budget cannot be amended without the approval of the Board of Education.
8. Unexpended budgetary balance lapse at June 30 and are not available to finance expenditures or expenses of the following year.

Note 3. Deposits 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.

As of June 30, 2010, the carrying amount of the District’s bank deposits and pooled investments totaled \$12,033,782 with bank balances of \$4,121,911. These amounts are included in the cash and pooled investments on the combined balance sheet. Of the bank balance, \$500,000 was covered by federal depository insurance and \$3,621,911 was collateralized by securities held by the pledging financial institution or its agent but not in the District’s name.

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.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust and U.S. Treasury Securities as follows:

<u>Type</u>	<u>Amortized Cost</u>
U.S. Treasury Securities	\$ 4,678,495
Diversified Portfolio	3,233,376
Total	<u>\$ 7,911,871</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There is no material difference from fair value.

Credit risk. The investments in the Iowa Schools Joint Investment Trust (ISJIT) were rated Aaa by Moody’s Investors Service. ISJIT is sponsored by the Iowa Association of School Boards (IASB), governed by a representative board of trustees and served by a dedicated team of professionals.

Interest rate risk. The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature with 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District and must also conform to any loan covenant investment maturity restrictions. The maturity of the District’s position in an external investment pool is based on the average maturity of the pool’s investments.

Note 4. Interfund Receivable and Payable

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General	Capital Projects	<u>\$ 220,726</u>

The Capital Projects Fund is repaying the General Fund for monies borrowed. The balance will be repaid by June 30, 2011.

Note 5. Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Nonmajor Governmental Funds	\$ 24,036
Debt Service	General	21,966
Debt Service	Capital Projects	<u>4,346,512</u>
Total		<u>\$ 4,392,514</u>

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

The Nonmajor Governmental Fund, Physical Plant and Equipment Levy Fund is transferring money to finance bus lease payments made from the Debt Service Fund.

The General Fund is transferring money to finance the Apple lease payments made from the Debt Service Fund.

The Capital Projects is transferring money to finance the revenue bonds payments made from the Debt Service Fund.

Note 6. Capital Assets

A summary of changes in property and equipment comprising capital assets is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 239,750	8,287	0	248,037
Less accumulated depreciation	181,873	8,117	0	189,990
Business type activities capital assets, net	<u>\$ 57,877</u>	<u>170</u>	<u>0</u>	<u>58,047</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 231,244	0	0	231,244
Construction in progress	611,506	5,709,455	0	6,320,961
Total capital assets not being depreciated	842,750	5,709,455	0	6,552,205
Capital assets being depreciated:				
Buildings	18,911,040	0	0	18,911,040
Land improvements	733,591	0	0	733,591
Machinery and equipment	1,920,075	11,550	0	1,931,625
Total capital assets being depreciated	21,564,706	11,550	0	21,576,256
Less accumulated depreciation for:				
Buildings	5,410,095	192,576	0	5,602,671
Land improvements	415,172	14,687	0	429,859
Machinery and equipment	1,439,454	48,459	0	1,487,913
Total accumulated depreciation	7,264,721	255,722	0	7,520,443
Total capital assets being depreciated, net	14,299,985	(244,172)	0	14,055,813
Governmental activities capital assets, net	\$ 15,142,735	5,465,283	0	20,608,018

Depreciation expense was charged by the District as follows:

Governmental activities:		
Support services:		
Administration		\$ 23,650
Transportation		24,809
		48,459
Unallocated depreciation		207,263
Total governmental activities depreciation expense		\$ 255,722
Business type activities:		
Food services		\$ 8,117

Note 7. Long-Term Debt

A summary of changes in long-term debt for business type activities and governmental activities for the year ended June 30, 2010 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business Type Activities:					
Net OPEB Liability	\$ 206	\$ 99	\$ -	\$ 305	\$ -

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 3,865,000	\$ -	\$ 245,000	\$ 3,620,000	\$ 260,000
Revenue Bonds	3,940,000	11,100,000	730,000	14,310,000	760,000
Capital Lease Obligations	222,701	-	48,796	173,905	84,984
Early Retirement	114,641	100,000	207,321	7,320	7,320
Compensated Absences	66,978	49,932	66,978	49,932	49,932
Net OPEB Liability	34,147	17,330	-	51,477	-
Total	<u>\$ 8,243,467</u>	<u>\$ 11,267,262</u>	<u>\$ 1,298,095</u>	<u>\$ 18,212,634</u>	<u>\$ 1,162,236</u>

Bonded debt

On June 27, 2006 the District issued general obligation bonds of \$4,100,000 for capital facility construction. The General Obligation Bonds will be paid with property taxes collected in the Debt Service Fund. Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 27, 2006				
	Rate	Principal	Interest	Total	
2011	4.50 %	\$ 260,000	149,410	409,410	
2012	4.25	270,000	137,710	407,710	
2013	4.25	285,000	126,236	411,236	
2014	4.25	295,000	114,122	409,122	
2015	4.25	310,000	101,585		
2016-2021	4.00-4.25	2,200,000	322,260	2,522,260	
Total		<u>\$ 3,620,000</u>	<u>\$ 951,323</u>	<u>\$ 4,159,738</u>	

On May 1, 2005 and July 16, 2009, the District issued statewide sales, services and use tax revenue bonds of \$6,000,000 and \$11,100,000 respectively for school infrastructure. The Revenue Bonds will be paid with statewide sales, services and use taxes collected in the Capital Projects Fund. 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 May 1, 2005			Bond Issue of July 16, 2009			Total		
	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest	Total
2011	3.60 %	\$ 760,000	\$ 102,305	%	\$ -	\$ 520,275	\$ 760,000	\$ 622,580	\$ 1,382,580
2012	3.60	785,000	74,495		-	520,275	785,000	594,770	1,379,770
2013	3.60	815,000	45,695	4.00	635,000	507,575	1,450,000	553,270	2,003,270
2014	3.65	850,000	15,512	4.00	650,000	481,875	1,500,000	497,387	1,997,387
2015	-	-	-	4.00	470,000	459,475	470,000	459,475	929,475
2016-2020	-	-	-	4.00-4.50	2,320,000	2,022,325	2,320,000	2,022,325	4,342,325
2021-2025	-	-	-	4.50-5.00	2,890,000	1,442,999	2,890,000	1,442,999	4,332,999
2026-2030	-	-	-	5.00-5.30	4,135,000	622,053	4,135,000	622,053	4,757,053
Total		<u>\$ 3,210,000</u>	<u>\$ 238,007</u>		<u>\$ 11,100,000</u>	<u>\$ 6,576,852</u>	<u>\$ 14,310,000</u>	<u>\$ 6,814,859</u>	<u>\$ 21,124,859</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2030. The bonds are not a general obligation of the District. The debt, however, is subject to the

constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 60 percent of the local option sales and services tax revenues. The total principal and interest paid remaining to be paid is \$21,124,859. For the current year \$730,000 in principal and \$420,573 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,467,841.

The resolution providing for the issuance of the statewide sales, services and tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the statewide sales, services and tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) Sufficient monthly deposits amounting to one sixth of the next interest payment and one twelfth of the next principal payment shall be made into a sinking account for the purpose of making the bond principal and interest payments when due.
- c) Separate bond reserve funds will be maintained in the amounts of \$600,000 and \$1,100,000 to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose.

Capital Lease Obligations

During the years ended June 30, 2007 and June 30, 2008, the District entered into capital lease purchase agreements of \$67,116 and \$62,419, respectively for the lease purchase of computers, servers and networking equipment. The apple leases are payable from the General Fund. During the year ended June 30, 2007 and June 30, 2008, the District entered into capital lease purchase agreements of \$77,706 and \$70,840, respectively for the lease purchase of two school buses. The school bus leases are payable from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2010 are as follows:

Year Ending June 30,	Rate	2008 Apple Lease		
		Principal	Interest	Total
2011	2.75 %	\$ 20,785	1,181	21,966
Year Ending June 30,	Rate	2007 Bus Lease		
		Principal	Interest	Total
2011	4.73 %	\$ 44,590	2,109	46,699
Year Ending June 30,	Rate	2008 Bus Lease		
		Principal	Interest	Total
2011	4.23 %	\$ 8,947	2,163	11,110
2012	4.23	42,200	1,785	43,985
		\$ 51,147	\$ 3,948	\$ 55,095

Year Ending June 30,	Rate	2009 Bus Lease		
		Principal	Interest	Total
2011	4.26 %	\$ 10,662	2,492	13,154
2012	4.26	46,720	2,030	48,750
		<u>\$ 57,382</u>	<u>\$ 4,522</u>	<u>\$ 61,904</u>
Total		<u>\$ 173,904</u>	<u>\$ 11,760</u>	<u>\$ 185,664</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 45% of the employee's base salary. The employee's base salary is calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits paid during the year ended June 30, 2010, totaled \$207,321. The cost of early retirement payments expected to be liquidated currently is recorded as a liability in the Special Revenue, Management Levy Fund in the fund financial statements and as a liability of the Governmental Activities in the Government-wide financial statements. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 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 167 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay 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	\$ 87,174
Interest on net OPEB obligation	1,545
Adjustment to annual required contribution	(2,159)
Annual OPEB cost	<u>86,560</u>
Contributions made	<u>(69,131)</u>
Increase in net OPEB obligation	17,429
Net OPEB obligation beginning of year	<u>34,353</u>
Net OPEB obligation end of year	<u>\$ 51,782</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$69,131 to the medical plan. Plan members eligible for benefits contributed \$69,131, or 100% of the premium costs.

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:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 87,174	79.30%	\$ 51,782

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$910,443, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$910,443. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,767,127, and the ratio of the UAAL to covered payroll was 11.7%. 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, 2008 actuarial valuation date, the unit credit actuarial cost 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 10%. The ultimate medical trend rate is 5.5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate in six years.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type. Termination (Turnover) probabilities were based upon rates based on Scale T-10 of the Actuary's Pension Handbook for Certified Employees and Scale T-5 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are as follows: \$500 deductible plan for \$593 per month for retirees and \$622 per month for spouse; \$750 deductible plan for \$681 per month for retirees and \$713 per month for spouse; and \$1,000 deductible plan for \$528 per month for retirees and \$553 per month for spouse. Post age 65 expected claims cost are assumed to equal retiree contributions. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$596,122, \$581,927 and \$518,056 respectively, equal to the required contributions for each year.

Note 10. Risk Management

Nevada Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 11. 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 \$553,617 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.

Note 12. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2010, expenditures in the non-instructional programs functional area exceeded the certified budget.

Note 13. Construction Commitments

The District has active construction projects as of June 30, 2010. The projects include the High School remodel and renovation project. The District entered into contracts totaling \$8,732,926. As of June 30, 2010, costs of \$6,320,961 had been incurred against the contracts. The balance of \$2,411,965 remaining at June 30, 2010 will be paid as work on the projects progress.

Note 14. Due From Other Governments

Amount due from other governments by Fund as of June 30, 2010 are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>
Local appropriation		
Tuition	\$ 160,255	\$ -
Local option sales and services tax	-	237,027
	<hr/>	<hr/>
Total local appropriation	160,255	237,027
	<hr/>	<hr/>
Intermediate appropriation		
Decategorization grant	5,310	-
	<hr/>	<hr/>
Total intermediate appropriation	5,310	-
	<hr/>	<hr/>
State appropriation		
Foster care claim	2,916	-
Vocational aid	7,105	-
Nonpublic transportation	1,440	-
	<hr/>	<hr/>
Total state appropriation	11,461	-
	<hr/>	<hr/>
Federal appropriation		
Title I	26,722	-
Title I ARRA	38,412	-
Safe & drug free	3,615	-
Medicaid	9,445	-
	<hr/>	<hr/>
Total federal appropriation	78,194	-
	<hr/>	<hr/>
Total due from other governments	<u>\$ 255,220</u>	<u>\$ 237,027</u>

Note 15. Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 6,668
Educator quality, professional development	48,901
Core curriculum	47,482
Additional day	4,782
Professional development	13,665
Market factor	3,261
Educator quality, basic salary	21,370
State vocational aid	5,253
Statewide voluntary preschool	131,508
Juvenile court liason	1,866
	<hr/>
Total reserved for cateforical funding	<u>\$ 284,756</u>

Note 16: Deficit Fund Balances

At June 30, 2010 the District had deficit unreserved fund balances of \$35,659 and \$23,380 respectively in the Special Revenue, Management Levy and Capital Projects, Building Projects Funds.

Required Supplementary Information

NEVADA COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
ACTUAL TO BUDGET - ALL GOVERNMENTAL FUND TYPES
AND PROPRIETARY FUND TYPE

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 7,817,018	\$ 394,980	\$ 8,211,998	\$ 8,101,458	\$ 8,101,458	\$ 110,540
Intermediate sources	9,509	-	9,509	-	-	9,509
State appropriations	7,279,946	6,126	7,286,072	8,833,435	8,833,435	(1,547,363)
Federal appropriations	1,333,583	306,133	1,639,716	470,480	470,480	1,169,236
Total revenues	<u>16,440,056</u>	<u>707,239</u>	<u>17,147,295</u>	<u>17,405,373</u>	<u>17,405,373</u>	<u>(258,078)</u>
Expenditures/Expenses:						
Instruction	9,439,695	-	9,439,695	10,466,400	10,466,400	1,026,705
Support services	4,117,924	13,700	4,131,624	4,617,828	4,617,828	486,204
Non-instructional programs	4,622	643,261	647,883	601,806	601,806	(46,077)
Other expenditures	8,176,110	-	8,176,110	13,078,795	13,078,795	4,902,685
Total expenditures/expenses	<u>21,738,351</u>	<u>656,961</u>	<u>22,395,312</u>	<u>28,764,829</u>	<u>28,764,829</u>	<u>6,369,517</u>
Excess (deficiency)of revenues over (under) expenditures/expenses	(5,298,295)	50,278	(5,248,017)	(11,359,456)	(11,359,456)	6,111,439
Other financing sources, net	<u>11,032,145</u>	<u>-</u>	<u>11,032,145</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,032,145</u>
Excess of revenues and other financing sources over expenditures/expenses	5,733,850	50,278	5,784,128	(1,359,456)	(1,359,456)	7,143,584
Balance beginning of year	<u>4,482,516</u>	<u>113,559</u>	<u>4,596,075</u>	<u>4,496,064</u>	<u>4,496,064</u>	<u>100,011</u>
Balance end of year	<u>\$ 10,216,366</u>	<u>\$ 163,837</u>	<u>\$ 10,380,203</u>	<u>\$ 3,136,608</u>	<u>\$ 3,136,608</u>	<u>\$ 7,243,595</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEVADA 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 Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, the expenditures in the non-instructional programs functional area exceeded the certified budget.

NEVADA 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-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 910,443	\$ 910,443	0.0%	\$ 6,959,254	13.1%
2010	July 1, 2008	-	910,443	910,443	0.0%	\$ 7,767,127	11.7%

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

Other Supplementary Information

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Nevada Community School District

Nonmajor Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Management Fund

This fund accounts for property taxes collected to pay property and boiler insurance, fidelity bonds, worker's compensation, liability insurance premiums, unemployment insurance claims and early retirement incentives.

Student Activity Fund

This fund accounts for funds raised by student groups. Under State Law, the Board retains responsibility for Student Activity Fund's ultimate disposition.

Physical Plant and Equipment Levy Fund

This fund accounts for property taxes collected to pay for purchase and improvement of grounds, purchase of buildings, major repairs, remodeling, reconstruction, improving or expanding the schoolhouses or buildings, expenditures for energy conservation and for equipment purchases. The purchase of transportation vehicles also qualify under the law.

NEVADA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2010

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 41,971	\$ 164,363	\$ 186,868	\$ 393,202
Receivables:				
Property tax:				
Delinquent	3,325	-	3,639	6,964
Succeeding year	219,000	-	340,251	559,251
Accounts	-	647	-	647
TOTAL ASSETS	<u>\$ 264,296</u>	<u>\$ 165,010</u>	<u>\$ 530,758</u>	<u>\$ 960,064</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 80,955	7,717	6,448	95,120
Deferred revenue:				
Succeeding year property tax	219,000	-	340,251	559,251
Total liabilities	<u>299,955</u>	<u>7,717</u>	<u>346,699</u>	<u>654,371</u>
Unreserved fund balances	<u>(35,659)</u>	<u>157,293</u>	<u>184,059</u>	<u>305,693</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 264,296</u>	<u>\$ 165,010</u>	<u>\$ 530,758</u>	<u>\$ 960,064</u>

NEVADA COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2010

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 311,773	\$ -	\$ 323,783	\$ 635,556
Other	19,259	304,077	-	323,336
State sources	173	-	170	343
TOTAL REVENUES	<u>331,205</u>	<u>304,077</u>	<u>323,953</u>	<u>959,235</u>
EXPENDITURES:				
Current:				
Instruction				
Regular	191,436	-	3,257	194,693
Other	-	289,764	-	289,764
Support services:				
Student	-	2,025	-	2,025
Instructional staff	-	-	24,297	24,297
Administration	-	682	-	682
Operation and maintenance of plant	154,644	670	12,258	167,572
Student transportation	15,648	-	11,550	27,198
Other expenditures:				
Facilities acquisition	-	-	145,891	145,891
TOTAL EXPENDITURES	<u>361,728</u>	<u>293,141</u>	<u>197,253</u>	<u>852,122</u>
Excess(deficiency)of revenues over (under) expenditures	(30,523)	10,936	126,700	107,113
OTHER FINANCING USES:				
Transfer out	-	-	(24,035)	(24,035)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(30,523)	10,936	102,665	83,078
FUND BALANCES BEGINNING OF YEAR	<u>(5,136)</u>	<u>146,357</u>	<u>81,394</u>	<u>222,615</u>
FUND BALANCES END OF YEAR	<u>\$ (35,659)</u>	<u>\$ 157,293</u>	<u>\$ 184,059</u>	<u>\$ 305,693</u>

NEVADA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS

JUNE 30, 2010

	Capital Projects Funds		
	Statewide Sales and Services Tax	Building Project	Total
ASSETS			
Cash and pooled investments	\$ 4,725,116	\$ -	\$ 4,725,116
Receivables:			
Accrued interest	3,495	-	3,495
Due from other governments	237,027	-	237,027
TOTAL ASSETS	\$ 4,965,638	\$ -	\$ 4,965,638
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable	\$ 211,271	\$ 9,455	\$ 220,726
Accounts payable	365,465	13,925	379,390
Total liabilities	576,736	23,380	600,116
Fund balances:			
Reserved for debt service	1,095,946	-	1,095,946
Unreserved fund balances	3,292,956	(23,380)	3,269,576
	4,388,902	(23,380)	4,365,522
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,965,638	\$ -	\$ 4,965,638

NEVADA COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 2010

	Capital Project Funds		
	Statewide Sales and Services Tax	Building Project	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,467,841	\$ -	\$ 1,467,841
Other	67,046	-	67,046
Federal sources	-	78,424	78,424
TOTAL REVENUES	<u>1,534,887</u>	<u>78,424</u>	<u>1,613,311</u>
EXPENDITURES:			
Support services:			
Instructional staff services	117,318	-	117,318
Other expenditures:			
Facilities acquisition	5,720,523	170,625	5,891,148
TOTAL EXPENDITURES	<u>5,837,841</u>	<u>170,625</u>	<u>6,008,466</u>
Deficiency of revenues under expenditures	(4,302,954)	(92,201)	(4,395,155)
OTHER FINANCING USES:			
Proceeds from issuance of bonds	11,100,000	-	11,100,000
Premium on bond issuance	39,389	-	39,389
Costs of issuance of bonds	(140,091)	-	(140,091)
Transfer out	(4,346,513)	-	(4,346,513)
Total other financing uses	<u>6,652,785</u>	<u>-</u>	<u>6,652,785</u>
Net change in fund balances	2,349,831	(92,201)	2,257,630
FUND BALANCES BEGINNING OF YEAR	<u>2,039,071</u>	<u>68,821</u>	<u>2,107,892</u>
FUND BALANCES END OF YEAR	<u>\$ 4,388,902</u>	<u>\$ (23,380)</u>	<u>\$ 4,365,522</u>

NEVADA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND

YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 12,497	4,833	2,718	14,612
Due from other groups	30	0	0	30
	<u>\$ 12,527</u>	<u>4,833</u>	<u>2,718</u>	<u>14,642</u>
LIABILITIES				
Accounts payable	\$ 35	37	35	37
Due to other groups	12,492	4,826	2,713	14,605
	<u>\$ 12,527</u>	<u>4,863</u>	<u>2,748</u>	<u>14,642</u>

Statistical Section

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Nevada Community School District

Statistical Section

(Unaudited)

This part of the Nevada Community School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	62-77
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the District's ability to generate its property taxes.	78-81
Debt Capacity These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	83-88
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within the District's financial activities take place and to help make comparisons over time and with other governments.	89-91
Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	92-97

Schedule 1
Nevada Community School District

Net Assets by Component
Last Eight Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 2,976,584	\$ 3,680,540	\$ 5,231,775	\$ 6,676,587	\$ 5,686,850
Restricted	412,412	1,118,228	1,185,554	266,512	2,988,643
Unrestricted	1,220,065	1,120,263	677,416	736,244	1,062,085
Total governmental activities					
net assets	\$ 4,609,061	\$ 5,919,031	\$ 7,094,745	\$ 7,679,343	\$ 9,737,578
Business-type activities:					
Invested in capital assets, net of related debt	\$ 44,983	\$ 48,433	\$ 60,063	\$ 57,531	\$ 66,718
Restricted	-	-	-	-	-
Unrestricted	75,836	60,154	26,114	31,074	71,550
Total business-type activities					
net assets	\$ 120,819	\$ 108,587	\$ 86,177	\$ 88,605	\$ 138,268
Primary government:					
Invested in capital assets, net of related debt	\$ 3,021,567	\$ 3,728,973	\$ 5,291,838	\$ 6,734,118	\$ 5,753,568
Restricted	412,412	1,118,228	1,185,554	266,512	2,988,643
Unrestricted	1,295,901	1,180,417	703,530	767,318	1,133,635
Total primary government					
net assets	\$ 4,729,880	\$ 6,027,618	\$ 7,180,922	\$ 7,767,948	\$ 9,875,846

Source: School District financial records.

Note:

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Fiscal Year		
2008	2009	2010
\$ 6,355,513	\$ 7,115,034	\$ 2,504,113
3,059,113	3,899,173	9,681,107
1,737,253	602,609	519,637
<u>\$ 11,151,879</u>	<u>\$ 11,616,816</u>	<u>\$ 12,704,857</u>
\$ 63,778	\$ 57,877	\$ 58,047
-	-	-
65,693	55,682	105,790
<u>\$ 129,471</u>	<u>\$ 113,559</u>	<u>\$ 163,837</u>
\$ 6,419,291	\$ 7,172,911	\$ 2,562,160
3,059,113	3,899,173	9,681,107
1,802,946	658,291	625,427
<u>\$ 11,281,350</u>	<u>\$ 11,730,375</u>	<u>\$ 12,868,694</u>

Schedule 2
Nevada Community School District

Expenses, Program Revenues and Net (Expense) Revenue
Last Eight Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses:					
Governmental activities:					
Instruction	\$ 7,947,273	\$ 8,227,884	\$ 8,648,727	\$ 8,566,639	\$ 8,819,553
Student services	1,239,799	1,181,547	629,174	553,116	562,967
Instructional staff services	352,329	201,515	427,449	485,660	561,912
Administration services	862,375	924,511	856,527	925,429	1,074,906
Operation and maintenance of plant	1,021,392	1,115,285	972,783	1,114,833	1,162,466
Pupil transportation services	363,845	436,782	472,413	442,531	492,330
Other support services	132,551	-	-	-	-
Non-instructional programs	20,497	20,782	29,210	19,210	28,606
Facilities acquisitions	590	67,435	392,253	810,283	-
Interest on long-term debt	163,193	60,644	65,052	306,149	382,249
AEA flowthrough	448,043	417,513	412,669	427,831	462,464
Depreciation (unallocated)	186,394	198,832	211,923	599,916	257,450
Total governmental activities expenses	12,738,281	12,852,730	13,118,180	14,251,597	13,804,903
Business-type activities:					
Administration services	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	17,389
Nutrition services	511,330	540,699	561,991	558,632	563,754
Total business-type activities expenses	511,330	540,699	561,991	558,632	581,143
Total primary government expenses	\$ 13,249,611	\$ 13,393,429	\$ 13,680,171	\$ 14,810,229	\$ 14,386,046
Program revenues:					
Governmental activities:					
Charges for services:					
Instruction	\$ 975,954	\$ 1,085,636	\$ 1,074,285	\$ 1,154,109	\$ 1,078,361
Support services	28,870	37,593	33,643	5,680	1,963
Operating grants and contributions	1,789,780	1,683,945	1,184,031	1,164,797	1,429,221
Capital grants and contributions	94,375	49,927	117,088	-	19,940
Total governmental activities program revenues	2,888,979	2,857,101	2,409,047	2,324,586	2,529,485

(Continued on the following page.)

Note:

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

			Fiscal Year		
			2008	2009	2010
\$	9,465,919	\$	9,597,385	\$	9,345,206
	704,624		726,992		722,101
	608,542		530,941		589,891
	1,073,190		1,274,126		1,140,944
	1,757,438		1,565,012		1,199,756
	426,668		620,423		489,593
	-		-		-
	26,332		14,535		4,622
	-		-		327,584
	307,300		321,037		826,855
	493,418		506,098		553,617
	396,840		737,289		207,263
	<u>15,260,271</u>		<u>15,893,838</u>		<u>15,407,432</u>
	349		202		-
	19,417		13,358		13,700
	<u>615,942</u>		<u>648,810</u>		<u>643,261</u>
	<u>635,708</u>		<u>662,370</u>		<u>656,961</u>
\$	<u>15,895,979</u>	\$	<u>16,556,208</u>	\$	<u>16,064,393</u>

\$	1,134,381	\$	1,082,449	\$	1,030,208
	1,984		43,473		20,907
	1,972,974		1,910,991		2,897,484
	62,196		-		-
	<u>3,171,535</u>		<u>3,036,913</u>		<u>3,948,599</u>

Schedule 2
Nevada Community School District

Expenses, Program Revenues and Net (Expense) Revenue (Continued)
Last Eight Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Business-type activities:					
Charges for services:					
Nutrition	317,759	339,902	347,314	367,572	361,080
Operating grants and contributions	180,674	187,350	190,492	204,845	239,455
Capital grants and contributions	-	-	-	-	-
Total business-type program revenues	498,433	527,252	537,806	572,417	600,535
Total primary government program revenues	\$ 3,387,412	\$ 3,384,353	\$ 2,946,853	\$ 2,897,003	\$ 2,925,121
Net (expense) revenue:					
Governmental activities	\$ (9,849,302)	\$ (9,995,629)	\$ (10,709,133)	\$ (11,927,011)	\$ (11,927,011)
Business-type activities	(12,897)	(13,447)	(24,185)	13,785	41,903
Total primary government net expense	\$ (9,862,199)	\$ (10,009,076)	\$ (10,733,318)	\$ (11,913,226)	\$ (11,885,108)

Source: School District financial records.

Note:

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Fiscal Year		
2008	2009	2010
370,583	389,375	394,698
253,139	256,107	312,259
-	-	-
623,722	645,482	706,957
<u>\$ 3,795,257</u>	<u>\$ 3,682,395</u>	<u>\$ 4,655,556</u>
\$ (12,088,736)	\$ (12,856,925)	\$ (11,458,833)
(11,986)	(16,888)	49,996
<u>\$ (12,100,722)</u>	<u>\$ (12,873,813)</u>	<u>\$ (11,408,837)</u>

Schedule 3
Nevada Community School District

General Revenues and Total Change in Net Assets
Last Eight Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Net (expense) revenue:					
Governmental activities	\$ (9,849,302)	\$ (9,995,629)	\$ (10,709,133)	\$ (11,927,011)	\$ (11,927,011)
Business-type activities	(12,897)	(13,447)	(24,185)	13,785	13,785
Total primary government net expense	(9,862,199)	(10,009,076)	(10,733,318)	(11,913,226)	(11,913,226)
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes levied for general purposes	3,513,697	3,881,126	3,739,413	4,106,936	3,778,248
Property taxes levied for debt service	501,424	440,351	444,929	438,498	439,108
Property taxes levied for capital outlay	237,413	299,342	274,973	279,787	285,331
Income surtax	-	-	-	-	405,401
Sales tax	-	1,055,437	1,514,873	1,362,867	1,545,767
Unrestricted grants and contributions	5,669,116	5,514,650	5,794,091	6,020,105	6,419,498
Miscellaneous	126,203	79,695	42,720	46,514	85,161
Investment earnings	57,239	34,998	73,848	242,954	375,139
Transfers	-	-	-	13,948	-
Extraordinary items	-	-	-	-	-
Total governmental activities	10,105,092	11,305,599	11,884,847	12,511,609	13,333,653
Business-type activities:					
Miscellaneous	-	-	-	-	26,404
Investment earnings	2,487	1,215	1,775	2,591	3,867
Transfers	-	-	-	(13,948)	-
Total business-type activities	2,487	1,215	1,775	(11,357)	30,271
Total primary government	10,107,579	11,306,814	11,886,622	12,500,252	13,363,924
Change in net assets:					
Governmental activities	255,790	1,309,970	1,175,714	584,598	1,406,642
Business-type activities	(10,410)	(12,232)	(22,410)	2,428	44,056
Total primary government	\$ 245,380	\$ 1,297,738	\$ 1,153,304	\$ 587,026	\$ 1,450,698

Source: School District financial records.

Note:

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Fiscal Year		
2008	2009	2010
\$ (12,088,736)	\$ (12,856,925)	\$ (11,458,833)
(11,986)	(16,888)	49,996
<u>(12,100,722)</u>	<u>(12,873,813)</u>	<u>(11,408,837)</u>

3,756,206	3,648,552	3,972,925
447,359	408,359	407,479
297,244	310,904	323,783
327,752	367,425	381,785
1,504,206	1,549,800	1,467,841
6,733,643	6,806,429	5,777,496
229,554	161,698	75,179
207,223	105,977	140,386
(150)	-	-
-	(37,282)	-
<u>13,503,037</u>	<u>13,321,862</u>	<u>12,546,874</u>

-	-	-
3,039	976	282
150	-	-
<u>3,189</u>	<u>976</u>	<u>282</u>
<u>13,506,226</u>	<u>13,322,838</u>	<u>12,547,156</u>

1,414,301	464,937	1,088,041
(8,797)	(15,912)	50,278
<u>\$ 1,405,504</u>	<u>\$ 449,025</u>	<u>\$ 1,138,319</u>

Schedule 4
Nevada Community School District

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2001	2002	2003	2004	2005
General Fund:					
Reserved	\$ 118,874	\$ 107,699	\$ 74,910	\$ 66,718	\$ 51,872
Unreserved	1,290,808	1,156,607	1,083,068	1,002,208	555,314
Total General Fund	\$ 1,409,682	\$ 1,264,306	\$ 1,157,978	\$ 1,068,926	\$ 607,186
All other governmental funds:					
Reserved					
Debt service funds	\$ 91,247	\$ 93,219	\$ 99,238	\$ 97,823	\$ 99,190
Other reserved	-	-	-	-	-
Unreserved, reported in:					
Capital projects funds	1,176	1,176	586	761,202	6,861,916
Special revenue funds	166,223	173,908	172,359	96,669	53,780
Total all other governmental funds	\$ 258,646	\$ 268,303	\$ 272,183	\$ 955,694	\$ 7,014,886

Source: School District financial records.

Fiscal Year				
2006	2007	2008	2009	2010
\$ 42,953	\$ 63,394	\$ 70,527	\$ 139,028	\$ 284,756
580,670	806,162	719,898	588,479	570,918
<u>\$ 623,623</u>	<u>\$ 869,556</u>	<u>\$ 790,425</u>	<u>\$ 727,507</u>	<u>\$ 855,674</u>
\$ 1,661,818	\$ 2,161,963	\$ 2,030,288	\$ 2,024,502	\$ 5,785,423
-	-	-	-	-
5,088,600	1,502,874	1,453,287	1,507,892	3,269,576
223,223	243,431	307,641	222,615	305,693
<u>\$ 6,973,641</u>	<u>\$ 3,908,268</u>	<u>\$ 3,791,216</u>	<u>\$ 3,755,009</u>	<u>\$ 9,360,692</u>

Schedule 5
Nevada Community School District

Governmental Funds Revenues
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2001	2002	2003	2004	2005
Federal sources:					
Federal sources	\$ 183,978	\$ 689,300	\$ 1,010,719	\$ 924,937	\$ 286,117
Total federal sources	183,978	689,300	1,010,719	924,937	286,117
State sources:					
State sources	\$ 6,559,309	\$ 6,497,689	\$ 6,550,557	\$ 6,323,721	\$ 6,599,717
Total state sources	6,559,309	6,497,689	6,550,557	6,323,721	6,599,717
Intermediate sources:					
Intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
Total intermediate sources	-	-	-	-	-
Local sources:					
Local taxes	\$ 4,054,447	\$ 4,361,540	\$ 4,248,066	\$ 5,663,327	\$ 5,946,502
Tuition	469,397	426,447	441,690	521,868	605,500
Other revenues	734,803	650,279	743,809	706,802	799,971
Total local sources	5,258,647	5,438,266	5,433,565	6,891,997	7,351,973
Total revenues	\$ 12,001,934	\$ 12,625,255	\$ 12,994,841	\$ 14,140,655	\$ 14,237,807

Source: School District financial records.

Fiscal Year									
2006		2007		2008		2009		2010	
\$	261,805	\$	275,655	\$	302,886	\$	368,105	\$	1,333,583
	261,805		275,655		302,886		368,105		1,333,583
\$	6,923,097	\$	7,464,747	\$	8,230,951	\$	8,306,423	\$	7,279,946
	6,923,097		7,464,747		8,230,951		8,306,423		7,279,946
\$	2,000	\$	35,252	\$	10,378	\$	11,793	\$	9,509
	2,000		35,252		10,378		11,793		9,509
\$	6,188,088	\$	6,380,883	\$	6,371,211	\$	6,289,506	\$	6,509,565
	561,729		570,688		612,406		660,237		666,435
	839,014		1,060,102		1,169,612		761,336		641,018
	7,588,831		8,011,673		8,153,229		7,711,079		7,817,018
\$	14,775,733	\$	15,787,327	\$	16,697,444	\$	16,397,400	\$	16,440,056

Schedule 6
Nevada Community School District

Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2001	2002	2003	2004	2005
Instruction	\$ 7,272,683	\$ 7,765,406	\$ 7,942,483	\$ 8,214,156	\$ 8,662,269
Student services	773,932	1,278,670	1,239,799	1,181,547	629,174
Instructional staff services	274,505	293,692	352,329	211,985	427,449
Administration services	1,054,418	1,051,651	861,525	918,783	850,800
Operation and maintenance of plant services	1,080,669	933,265	1,039,942	1,108,813	945,924
Pupil transportation services	338,645	359,352	372,395	500,143	456,739
Other support services	-	-	132,551	-	-
Non-instructional programs	34,020	35,454	20,497	20,782	29,210
AEA flowthrough	458,537	450,277	448,043	417,513	412,669
Capital outlay:					
Facilities acquisition/construction	250,571	-	94,965	411,634	1,827,335
Debt service:					
Principal	389,347	435,974	443,662	500,452	522,337
Interest and fiscal charges	167,923	157,333	159,098	72,297	48,668
Total expenditures	\$ 12,095,250	\$ 12,761,074	\$ 13,107,289	\$ 13,558,105	\$ 14,812,574
Debt service as a percentage of noncapital expenditures	4.83%	4.88%	4.82%	4.41%	4.01%

Source: School District financial records.

Fiscal Year				
2006	2007	2008	2009	2010
\$ 8,338,486	\$ 8,833,840	\$ 9,473,916	\$ 9,472,683	\$ 9,439,695
553,116	562,967	704,624	721,981	723,389
485,660	561,912	608,542	530,324	589,576
920,449	968,569	1,068,481	1,145,952	1,130,226
1,114,473	1,171,874	1,213,458	1,254,225	1,198,608
440,249	578,190	742,370	616,057	476,125
-	-	-	-	-
19,210	28,606	26,332	14,535	4,622
427,831	462,464	493,418	506,098	553,617
5,867,298	4,016,239	1,277,204	927,262	6,037,039
583,833	1,240,977	1,121,526	1,023,434	1,023,796
214,048	382,445	318,246	330,569	561,658
<u>\$ 18,964,653</u>	<u>\$ 18,808,083</u>	<u>\$ 17,048,117</u>	<u>\$ 16,543,120</u>	<u>\$ 21,738,351</u>
4.39%	9.45%	9.22%	8.91%	7.87%

Schedule 7
Nevada Community School District

Other Financing Sources and Uses and Net Change in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2001	2002	2003	2004	2005
Excess of revenues over (under) expenditures	\$ (93,316)	\$ (135,819)	\$ (112,448)	\$ 582,550	\$ (574,767)
Other financing sources (uses):					
Issuance of general obligation bonds	-	-	-	-	-
Issuance of revenue bonds	-	-	-	-	6,000,000
Capital lease purchase agreement	-	-	-	-	140,999
Issuance of capital loan notes	182,448	-	-	-	-
Refunding debt issued	-	-	1,985,000	-	-
Payment to refunding escrow agent	-	-	(1,975,000)	-	-
Premium on bonds	-	-	-	-	31,220
Sale of capital assets	750	100	-	11,909	-
Transfers in	-	142,585	108,136	130,983	127,443
Transfers out	-	(142,585)	(108,136)	(130,983)	(127,443)
Extraordinary items	-	-	-	-	-
Total other financing sources (uses)	183,198	100	10,000	11,909	6,172,219
Net change in fund balances	\$ 89,882	\$ (135,719)	\$ (102,448)	\$ 594,459	\$ 5,597,452

Source: School District financial records.

Fiscal Year				
2006	2007	2008	2009	2010
\$ (4,188,920)	\$ (3,020,756)	\$ (350,673)	\$ (145,720)	\$ (5,298,295)
4,100,000	-	-	-	-
-	-	-	-	10,981,587
-	198,477	87,918	80,754	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
46,514	-	-	-	39,389
3,650	2,839	66,722	3,123	11,169
1,879,742	1,118,837	947,206	939,732	4,392,514
(1,865,794)	(1,118,837)	(947,356)	(939,732)	(4,392,514)
-	-	-	(37,282)	-
4,164,112	201,316	154,490	46,595	11,032,145
\$ (24,808)	\$ (2,819,440)	\$ (196,183)	\$ (99,125)	\$ 5,733,850

Schedule 8
Nevada Community School District

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Actual Value			Less Exemptions	Total Taxable Value	Total Direct Rate (a)
	Residential Property	Commercial Property	Other Property			
2001	N/A	N/A	N/A	N/A	249,540,888	15.06170
2002	230,470,681	42,394,779	87,967,396	\$ 97,241,219	263,591,637	15.20579
2003	250,019,749	45,297,208	86,273,759	118,605,591	262,985,125	14.90901
2004	259,852,241	49,152,959	125,090,251	173,739,394	260,356,057	15.77656
2005	267,623,886	47,286,724	66,172,976	146,572,129	234,511,457	16.59480
2006	274,600,449	46,620,972	66,546,901	151,266,981	236,501,341	17.76519
2007	302,790,752	47,679,083	60,227,881	172,954,503	237,743,213	17.75500
2008	310,544,423	47,470,233	60,498,524	179,031,956	239,481,224	17.72244
2009	338,485,981	46,399,192	64,625,968	200,558,626	248,952,515	16.43213
2010	344,747,412	47,107,600	77,673,871	202,587,794	266,941,089	16.45943

Source: Story County Auditor

Notes: Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year. Assessed value equals estimated actual value.

(a) Per \$1,000 of assessed value.

N/A = not available

Schedule 9
Nevada Community School District

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)
(Unaudited)

Fiscal Year Ended June 30	District Direct Rates			Overlapping Rates		
	General Purposes	Capital Purposes	Total	Story County	City of Nevada	Community College
2001	12.40823	2.65347	15.06170	5.58921	14.32364	0.54506
2002	12.64500	2.56079	15.20579	6.67242	14.38557	0.54454
2003	12.34480	2.56421	14.90901	6.66890	14.19251	0.54584
2004	13.30551	2.47105	15.77656	6.24548	14.35684	0.58184
2005	13.97663	2.61817	16.59480	6.43930	14.87863	0.59856
2006	15.19793	2.56726	17.76519	6.61371	14.88108	0.68408
2007	15.25833	2.49667	17.75500	6.74790	14.87874	0.68688
2008	15.22244	2.50000	17.72244	6.61712	14.87874	0.60276
2009	14.11868	2.31345	16.43213	6.67593	15.12870	0.56386
2010	14.20095	2.25848	16.45943	6.89497	15.12870	0.56778

Source: Story County Auditor

Notes: Assessed value equals estimated actual value.

Schedule 10
Nevada Community School District

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2010			2001		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Union Pacific Corporation	-	-	-	\$ 1,874,943	7	0.62%
Lincolnway Energy LLC	\$ 6,979,300	1	2.54%	-	-	-
Heart of Iowa Coop	4,210,600	2	1.53%	4,059,300	2	1.33%
Burke Marketing Corporation	3,716,700	3	1.35%	2,502,600	4	0.82%
Flexi-Coil Inc-Ctr	2,391,700	4	0.87%	2,398,000	5	0.79%
General Financial Supply Inc	1,637,900	5	0.60%	-	-	-
Heart of Iowa Coop	1,625,100	6	0.59%	-	-	-
Northridge Investments LLC	1,582,000	7	0.58%	-	-	-
PR Investments LLC	1,541,800	8	0.56%	-	-	-
Hubert Family Trust	1,474,400	9	0.54%	-	-	-
Fareway Stores Inc.	1,479,800	10	0.54%	1,459,500	8	0.48%
Interstate Power & Light Co	-	-	-	4,169,163	1	1.37%
Nevada Economic Development	-	-	-	2,963,200	3	0.97%
Stetham, James H Trustee & Thomas, Howard G Trustee	-	-	-	1,943,200	6	0.64%
Iowa Falls Nursing Corp.	-	-	-	1,400,397	9	0.46%
Meadows Apartment Ltd.	-	-	-	1,347,200	10	0.44%
Total	\$ 26,639,300		9.69%	\$ 24,117,503		7.92%

Source: Story County Auditor

Schedule 11
Nevada Community School District

Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	3,816,204	3,813,920	99.94%	2,697	3,816,617	100.01%
2002	4,071,758	4,063,748	99.80%	2,124	4,065,872	99.86%
2003	3,984,839	3,954,835	99.25%	109	3,954,944	99.25%
2004	4,342,119	4,335,055	99.84%	31,869	4,366,924	100.57%
2005	4,113,720	4,071,818	98.98%	10,184	4,082,002	99.23%
2006	4,433,104	4,457,388	100.55%	-	4,457,388	100.55%
2007	4,456,193	4,505,212	101.10%	198	4,505,410	101.10%
2008	4,541,972	4,538,358	99.92%	3,614	4,541,972	100.00%
2009	4,338,131	4,370,394	100.74%	7,768	4,378,162	100.92%
2010	4,631,954	4,659,939	100.60%	-	4,659,939	100.60%

Source: Story County Treasurer and District records.

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Schedule 12
Nevada Community School District

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	General Obligation Bonds	Revenue Bonds	Capital Leases	Capital Loan Notes	Total General Bonded Debt	Percent of Actual Taxable Value of Property (a)	Per Capita (b)
2001	2,640,000	-	-	641,748	3,281,748	1.32%	#REF!
2002	2,315,000	-	-	530,774	2,845,774	1.08%	\$36
2003	1,985,000	-	-	427,112	2,412,112	0.92%	\$30
2004	1,595,000	-	-	316,660	1,911,660	0.73%	\$24
2005	1,185,000	6,000,000	140,999	204,323	7,530,322	3.21%	\$93
2006	4,870,000	6,000,000	91,489	85,000	11,046,489	4.67%	\$138
2007	4,450,000	5,335,000	218,989	-	10,003,989	4.21%	\$125
2008	4,100,000	4,650,000	220,381	-	8,970,381	3.75%	\$112
2009	3,865,000	3,940,000	222,701	-	8,027,701	3.22%	\$96
2010	3,620,000	14,310,000	173,905	-	18,103,905	6.78%	\$214

Source: School District financial records and Story County Auditor.

Notes: Assessed value equals estimated actual value.

(a) Actual taxable value of property includes Tax Increment Financing valuation.

(b) See Schedule 17 for population data.

Schedule 13
Nevada Community School District

Outstanding Debt by Type
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities							Business Type	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Revenue Bonds	Capital Leases	Capital Loan Notes	Early Retirement	Compensated Absences	Net OPEB Liability	Net OPEB Liability			
2001	2,640,000	-	-	641,748	31,848	-	-	-	3,313,596	0.18%	42
2002	2,315,000	-	-	530,774	41,978	-	-	-	2,887,752	0.15%	36
2003	1,985,000	-	-	427,112	43,223	-	-	-	2,455,335	0.12%	31
2004	1,595,000	-	-	316,660	54,043	-	-	-	1,965,703	0.09%	25
2005	1,185,000	6,000,000	140,999	204,323	35,499	-	-	-	7,565,821	0.35%	94
2006	4,870,000	6,000,000	91,489	85,000	43,864	-	-	-	11,090,353	0.38%	138
2007	4,450,000	5,335,000	218,989	-	16,181	-	-	-	10,020,170	0.41%	125
2008	4,100,000	4,650,000	220,381	-	15,241	-	-	-	8,985,622	0.35%	113
2009	3,865,000	3,940,000	222,701	-	114,641	66,978	34,147	206	8,243,673	0.30%	98
2010	3,620,000	14,310,000	173,905	-	7,320	49,932	51,477	305	18,212,939	0.63%	215

Source: School District financial records.

Notes: N/A = not available. Details of the District's outstanding debt can be found in Note 7 in the notes to the financial statements.

(a) See Schedule 17 for personal income and population data. These ratios are calculated using personal income and population for the prior year calendar year.

Schedule 14
Nevada Community School District

Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Direct and Overlapping Debt
Story County	\$ 10,630,000	9.89%	\$ 685,439
City of Nevada	17,655,000	100.00%	17,655,000
Area XI Community College	81,085,000	0.66%	537,992
			<hr/>
Subtotal, overlapping debt			18,878,431
District direct debt			18,212,939
			<hr/>
Total direct and overlapping debt			\$ 37,091,370

Source: Taxable value data used to estimate applicable percentages provided by the County Auditor. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(a) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

**Schedule 15
Nevada Community School District**

**Legal Debt Margin Information
Last Ten Fiscal Years**

(Unaudited)

	2001	2002	2003	2004	2005
Debt limit	\$ 19,121,477	\$ 19,765,998	\$ 20,873,890	\$ 21,656,722	\$ 21,109,701
Total net debt applicable to limit	3,281,748	2,845,774	2,412,112	1,911,660	7,530,322
Legal debt margin	\$ 15,839,729	\$ 16,920,224	\$ 18,461,778	\$ 19,745,062	\$ 13,579,379
Total net debt applicable to the limit as a percentage of debt limit	17.16%	14.40%	11.56%	8.83%	35.67%

Source: School District financial records and Story County Auditor.

Notes:

(a) Actual assessed value includes Tax Increment Financing

(b) Code of Iowa Section 296.1

Legal Debt Margin Calculation for Fiscal Year 2010

Actual assessed value (a)	<u>\$ 517,633,243</u>
Debt limit (5% of assessed value) (b)	\$ 25,881,662
Debt applicable to limit	<u>18,103,905</u>
Legal debt margin	<u>\$ 7,777,757</u>

	2006	2007	2008	2009	2010
\$	21,761,450	\$ 23,021,473	\$ 24,064,336	\$ 26,020,293	\$ 25,881,662
	11,046,489	10,003,989	8,970,381	8,027,701	18,103,905
\$	10,714,961	\$ 13,017,484	\$ 15,093,955	\$ 17,992,592	\$ 7,777,757
	50.76%	43.46%	37.28%	30.85%	69.95%

Schedule 16
Nevada Community School District

Pledged-Revenue Coverage
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Sales Tax Revenue Bonds				Coverage
	Revenue	Debt Service			
		Principal	Interest		
2001	-	-	-	-	
2002	-	-	-	-	
2003	-	-	-	-	
2004	1,055,437	-	-	-	
2005	1,514,873	-	-	-	
2006	1,362,867	-	122,710	11.11	
2007	1,545,767	665,000	200,053	1.79	
2008	1,504,206	685,000	178,784	1.74	
2009	1,549,800	710,000	155,045	1.79	
2010	1,467,841	730,000	389,262	1.31	

Source: School District financial records.

Notes: Details regarding the District's outstanding debt can be found in Note 7 of the notes to the financial statements.

Schedule 17
Nevada Community School District

Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Calendar Year	Population (a)	Personal Income (a) (thousands of dollars)	Per Capita Personal Income	Unemployment Rate (a)
2000	80,026	2,066,756	25,826	1.90%
2001	79,553	2,120,643	26,657	2.10%
2002	80,719	2,190,377	27,136	2.50%
2003	80,261	2,880,797	35,893	2.80%
2004	80,239	2,417,680	30,131	3.00%
2005	79,787	2,553,304	32,002	3.30%
2006	83,804	2,728,284	32,556	3.50%
2007	84,752	2,895,000	33,942	3.70%
2008	86,754	3,052,147	35,400	5.70%
2009	* Information not available from Bureau of Economic Analysis Web Site			

Notes:

(a) Bureau of Economic Analysis Web Site

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Schedule 18
Nevada Community School District

Principal Employers
Current Year and Ten Years Ago
(Unaudited)

Employer	2010			2000		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Story County	373	1	3.77%	353	1	3.36%
Burke Marketing	350	2	3.53%	250	2	2.38%
Nevada Community School District	220	3	2.22%	211	3	2.01%
Story County Medical Center	200	4	2.02%	200	4	1.90%
ALMACO	150	5	1.51%	100	6	0.95%
General Financial Supply	115	6	1.16%	105	5	1.00%
Mid-America Manufacturing	75	7	0.76%	-	-	-
Paragon International	56	8	0.57%	-	-	-
Printgraphics	55	9	0.56%	65	7	0.62%
City of Nevada	45	10	0.45%	55	8	0.52%
Midwest Cylinder Head	-	-	-	21	9	0.20%
Sorem Manufacturing	-	-	-	14	10	0.13%
Total	1,639		16.55%	1,374		13.09%

Source: Nevada Economic Development Council web site

Schedule 19
Nevada Community School District

Full-Time Equivalent District Employees By Type
Last Ten Fiscal Years
(Unaudited)

	Full-Time Equivalent Employees as of June 30				
	2001	2002	2003	2004	2005
Supervisory:					
Superintendent	1.0	1.0	1.0	1.0	1.0
Principals	3.0	3.0	3.0	3.0	3.0
Assistant principals	1.5	1.5	1.5	1.5	0.5
All other administrators	4.5	4.5	4.5	3.5	4.5
Total supervisory	10.0	10.0	10.0	9.0	9.0
Instruction:					
Teachers	115.1	116.7	119.2	110.0	106.3
Teachers' Aides	20.0	25.2	29.0	21.0	20.5
Other	6.0	6.0	1.5	1.5	1.5
Total instruction	141.1	147.9	149.7	132.5	128.3
Student services:					
Counselors	4.0	4.0	4.0	4.0	3.3
Nurses	3.0	3.0	3.0	3.0	2.0
Librarians	3.0	3.0	3.0	2.5	2.5
Total student services	10.0	10.0	10.0	9.5	7.8
Support and administration:					
Office/Clerical	11.0	9.5	5.5	7.5	7.0
Operative	15.0	6.0	16.5	19.0	10.0
Service	30.0	12.0	8.5	7.5	34.5
Other support	6.0	-	12.0	14.5	7.5
Total support and administration	62.0	27.5	42.5	48.5	59.0
Total	223.1	195.4	212.2	199.5	204.1

Source: District records

Full-Time Equivalent Employees as of June 30					Percentage Change
2006	2007	2008	2009	2010	2001-2010
1.0	1.0	1.0	1.0	1.0	0.0%
3.0	3.0	3.0	3.0	3.0	0.0%
0.5	0.3	0.3	0.7	0.7	-53.3%
4.5	4.8	4.8	4.8	4.8	6.7%
9.0	9.0	9.0	9.5	9.5	-5.0%
110.7	101.9	111.4	105.6	105.7	-8.2%
25.0	24.0	26.0	39.0	38.0	90.0%
1.5	1.5	0.5	0.0	0.0	-100.0%
137.2	127.4	137.9	144.6	143.7	1.8%
3.3	3.3	3.3	5.3	5.3	32.5%
2.0	2.0	2.1	2.1	2.1	-30.0%
2.5	2.0	2.0	2.0	2.0	-33.3%
7.8	7.3	7.4	9.4	9.4	-6.0%
6.5	10.5	9.7	9.7	9.5	-13.6%
12.0	12.0	15.0	11.0	26.0	73.3%
35.0	19.2	25.0	16.0	21.0	-30.0%
2.0	9.5	12.0	6.0	6.0	0.0%
55.5	51.2	61.7	42.7	62.5	0.8%
209.5	194.8	216.0	206.2	225.1	0.9%

Schedule 20
Nevada Community School District

Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Enrollment (1)	Operating Expenditures (2)	Cost Per Pupil	Percentage Change
2001	1,435	11,287,409	7,866	10.33%
2002	1,431	12,167,767	8,503	8.10%
2003	1,451	12,409,564	8,552	0.58%
2004	1,392	12,573,722	9,033	5.62%
2005	1,443	12,414,234	8,603	(4.76)%
2006	1,417	12,299,474	8,680	0.89%
2007	1,404	13,168,422	9,379	8.06%
2008	1,505	14,331,141	9,522	1.53%
2009	1,485	14,261,855	9,604	0.86%
2010	1,470	14,144,431	9,622	0.19%

Source: School District financial records and Iowa Department of Education.

Notes: N/A = not available.

(1) Average daily membership

(2) Operating expenditures are total governmental expenditures less debt service and capital outlays.

Expenses	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Priced Meals
N/A	N/A	N/A	115.10	12.47	20.1%
N/A	N/A	N/A	116.70	12.26	21.0%
13,249,611	9,131	N/A	119.20	12.17	20.6%
13,393,429	9,622	5.37%	110.00	12.65	22.5%
13,680,171	9,480	(1.47)%	106.30	13.57	23.4%
14,810,229	10,452	10.25%	105.60	13.42	21.9%
14,386,046	10,246	(1.96)%	101.90	13.78	26.0%
15,895,979	10,562	3.08%	113.45	13.27	27.0%
16,556,208	11,149	5.56%	112.90	13.15	24.0%
16,064,394	10,928	(1.98)%	105.70	13.91	24.0%

Schedule 21
Nevada Community School District

School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	2001	2002	2003	2004	2005
Elementary:					
Central (2006)					
Square feet	91,000	91,000	91,000	91,000	91,000
Capacity	700	700	700	700	700
Enrollment	599	555	546	524	548
North Central (2006)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
Middle:					
Nevada Middle School (1991)					
Square feet	73,000	73,000	73,000	73,000	73,000
Capacity	600	600	600	600	600
Enrollment	509	509	484	471	446
High:					
Nevada High School (1962)					
Square feet	115,000	115,000	115,000	115,000	115,000
Capacity	750	750	750	750	750
Enrollment	689	650	670	669	641

Other District Facilities:

Bus Garage (1988)

Source: District records

Notes: Due to construction, third and fourth grades were housed temporarily in the Middle School during fiscal year 2006. Multiage classes were housed at North Central Elementary.

Fiscal Year				
2006	2007	2008	2009	2010
53,000	103,000	103,000	103,000	103,000
400	800	800	800	800
298	595	595	595	602
12,000	12,000	12,000	12,000	12,000
200	200	200	200	200
131	15	15	15	15
73,000	73,000	73,000	73,000	73,000
600	600	600	600	600
546	546	546	546	410
115,000	115,000	115,000	115,000	115,000
750	750	750	750	750
676	676	676	676	428

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Single Audit Section

NEVADA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	\$ 272,016
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	31,299
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 10	2,818
			<u>306,133</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A, CLUSTER			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4617-G	106,885
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4617-GC	15,776
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	42,415
			<u>165,076</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATES GRANTS	84.186	FY 10	3,615
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	FY 10	1,500
ADVANCED PLACEMENT PROGRAM	84.330	FY 10	1,438
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	45,050
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 10	9,633
ARRA- STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	678,319
AMES COMMUNITY SCHOOL DISTRICT:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 10	9,877
HEARTLAND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION (IDEA) CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	76,620
ARRA - SPECIAL EDUCATION - GRANTS TO STATES - RECOVERY ACT	84.391	FY 10	104,418
			<u>181,038</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA DEPARTMENT OF HOMELAND SECURITY:			
HAZARD MITIGATION GRANT	97.039	FY 10	78,424
TOTAL			<u>\$ 1,480,103</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Nevada Community School District and is presented in conformity with 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 Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the
Nevada 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 Nevada 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 December 17, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nevada 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 Nevada Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nevada 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 and other deficiencies we consider to be significant deficiencies.

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 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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10, II-C-10, II-D-10, II-E-10, and II-F-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nevada 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.

Nevada Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Nevada 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 Nevada Community School District and other parties to whom Nevada Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

December 17, 2010

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Nevada Community School District

Compliance

We have audited the compliance of Nevada Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Nevada 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 grant agreements applicable to each of its major federal programs is the responsibility of Nevada Community School District's management. Our responsibility is to express an opinion on Nevada 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 Nevada 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 Nevada Community School District's compliance with those requirements.

In our opinion, Nevada 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

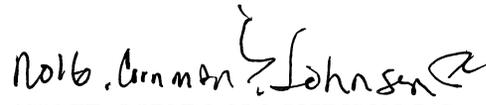
The management of Nevada Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Nevada Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Nevada 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 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 III-A-10 to be a material weakness.

Nevada 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 Nevada 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 Nevada Community School District and other parties to whom Nevada Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

December 17, 2010

NEVADA 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) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Material weaknesses in internal control over major programs were 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 did not disclose audit findings which were 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
 - Clustered Programs:
 - School Nutrition Cluster
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.556 - Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Nevada Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the duties of one individual include preparing checks and recording the transactions in the general ledger.

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

Response – As a part of an overall review of the District’s financial structure, the review will be completed by the Business Office with recommendations on how to maximize internal control.

Conclusion – Response accepted.

II-B-10 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for all event admissions.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would approve any policies and the District’s business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response – We will do this.

Conclusion – Response accepted.

II-C-10 Student Activity Fund - Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund. All fundraisers are not being approved by the board and do not always have a specific purpose.

Recommendation - The District should review the procedures in place. The board should approve fundraisers and all fundraisers should have a specific purpose. The District should cease the practice of fundraising without specific purposes.

Response – There now is a process in place for having all fundraisers reviewed by the Board.

Conclusion – Response accepted.

- II-D-10 Supporting Documentation - We noted during our audit of the Special Revenue, Student Activity Fund an disbursement to the Civic Center of Des Moines for a field trip that had no supporting documentation.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring support document other than an invoice. The District should have two board members review the paid invoices monthly to ensure supporting documentation is maintained.

Response – We will be sure that all claims submitted for payment have the proper documentation.

Conclusion – Response accepted.

- II-E-10 Free and Reduced Lunch Applications - We noted during the audit that one out of seventeen free and reduced lunch applications tested was marked as reduce and should have been denied.

Recommendation - The District should review the procedures in place for filing free and reduced lunch applications to ensure that the applications are filed correctly. The District should contact the Department of Education to correct the necessary reports.

Response – We will do this.

Conclusion – Response accepted.

- II-F-10 Supporting Documents for Meal Reimbursements - It was noted during the audit, an instance of a meal reimbursement which lacked a detailed receipt for supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users need to provide detailed receipts for purchases made. The District should review procedures in place with personnel to ensure the proper detailed documentation will be available with paid meal reimbursements.

Response – We will do this.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556 - Special Milk Program for Children
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

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the duties of one individual include preparing checks and recording the transactions in the general ledger.

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

Response – As a part of an overall review of the District’s financial structure, the review will be completed by the Business Office with recommendations on how to maximize internal control.

Conclusion – Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 exceeded the certified amounts in the non-instructional programs function.

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

Response – The District will more carefully monitor expenses and modify the budget where appropriate in the future.

Conclusion – Response accepted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund. Purchasing clothing for coaches does not appear to meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds

The District should refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups. The costs associated with the clothing should be reimbursed from the employee or added to their W-2's as additional compensation.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing for coaches and other District employees in lieu of using public funds.

Response – We will be more attentive to this in the future.

Conclusion – Response accepted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - Business transactions between the District and District officials are noted as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kevin Cooper, Teacher Owner of Cooper Trucking	Purchased services	\$366

In accordance with Attorney's General Opinion dated July 2, 1990, the above transactions do not appear to represent a conflict of interest.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-10 Certified Annual Report – The Certified Annual Report was not properly certified to the Iowa Department of Education by September 15, 2010.

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

Response – The Certified Annual Report was ready to be filed on September 15, 2010. However, the report was not being accepted electronically due to a programming error at the Iowa Department of Education for funds received from the Hazard Mitigation Grant via the Iowa Department of Homeland Security. These funds were correctly posted as Capital Project Fund receipts on the District's records but the Iowa Department of Education program would only accept these funds as General Fund receipts. The Hazard Mitigation Grant funds are being used to construct a tornado safe room. The Iowa

Department of Education acknowledged the error in e-mails prior to September 15. The programming error was corrected on November 2, 2010 at the Iowa Department of Education and the report was certified by District personnel.

Conclusion – Response accepted.

IV-J-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

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

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

Beginning balance		\$	-
Statewide sales and services tax revenue			1,467,841
Expenditures/transfers out:			
Debt service for school infrastructure:			
General obligation debt	405,835		
Revenue debt	<u>1,062,006</u>		<u>1,467,841</u>
Ending balance		\$	<u>-</u>

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 1.25972	\$ 405,835
Physical plant and equipment levy	\$ 0.67000	\$ 215,849

IV-L-10 Student Activity Fund - During our audit issues arose about the properness of certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. More specific examples of these instances of questioned items and recommendations are as follows:

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. More specific examples of these instances of questioned items and recommendations are as follows:

There is a Dynamath account. These receipts and expenditures appear to be more instructional in nature; therefore, they should be moved to the General Fund

Response – Transactions that are more appropriate for accounts other than the Student Activity Fund will not be processed in the Student Activity Fund.

Conclusion – Response accepted.

IV-M-10 Official Contracts - We noted during the audit that the Board President was not signing the athletic official contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa. Currently, Officials are assigned by the Conference that the District is in. There is no agreement in place between the District and the Conference. The District should have a contract with the conference and should have the Board President sign the contract in compliance with Chapter 291.1 of the Code of Iowa.

Response – Legal counsel has suggested that the Board adopt a resolution approving the master form of the official’s contract authorizing the Athletic Director to utilize the signature stamp of the Board President to enter into such contract. We will pursue doing this.

Conclusion – Response accepted.

IV-N-10 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response – We will do this.

Conclusion – Response accepted.

IV-O-10 Financial Condition - At June 30, 2010 the District had deficit unreserved fund balances of \$35,659 and \$23,380 respectively in the Special Revenue, Management Levy and Capital Projects, Building Projects Funds

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response – The District will monitor these fund balances and investigate alternatives to eliminate the deficits.

Conclusion – Response accepted.