

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Nodaway Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Clint Hight	President	2013
Jane Ernst	Vice President	2011
Ron Baudler	Board Member	2013
Roger Jensen	Board Member	2013
Susan Olesen	Board Member	2011
	(Resigned December 2010)	
Amy DeVault	Board Member	2011
	(Assigned January 2011)	
<b>School Officials</b>		
Casey Berlau	Superintendent	2011
Sharon Cox	District Secretary/ Business Manager	2011
Sandra Stewart	Board Treasurer	2011
Rick Engel	Attorney	2011

# **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  
Nodaway Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the Business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District, Greenfield, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 29, 2012 on our consideration of Nodaway Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required

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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 an opinion on the financial statements that collectively comprise Nodaway Valley Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 29, 2012

Nodaway Valley Community School District

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

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Nodaway Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,155,391 in fiscal 2010 to \$7,925,322 in fiscal 2011, while General Fund expenditures increased from \$6,830,091 in fiscal 2010 to \$7,095,724 in fiscal 2011. This resulted in an increase in the District's General Fund balance from a deficit \$793,388 in fiscal 2010 to a positive balance of \$36,210 in fiscal 2011, which is a 104.56% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local, state and federal sources in fiscal 2011. The increase in expenditures was due primarily to increases in the regular and other instruction functional areas.

### **USING THIS ANNUAL REPORT**

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Nodaway Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Nodaway Valley Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

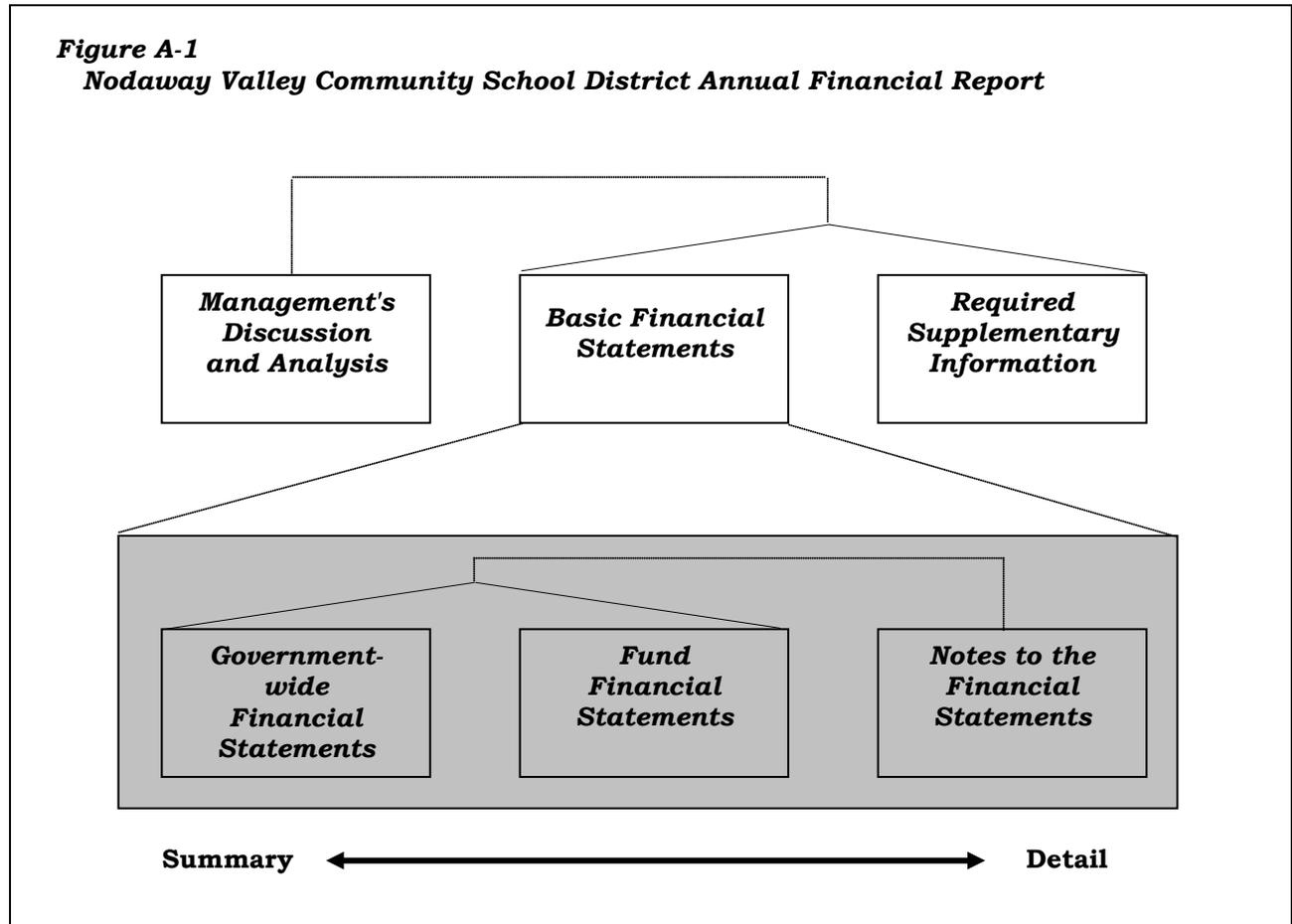


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

The District's internal service fund (another type of proprietary fund) is the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has one internal service fund: the Flexible Spending Plan.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2011 compared to June 30, 2010.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 5,853,717	5,509,570	97,919	58,743	5,951,636	5,568,313	6.88%
Capital assets	7,335,448	7,226,283	17,492	20,462	7,352,940	7,246,745	1.47%
Total assets	13,189,165	12,735,853	115,411	79,205	13,304,576	12,815,058	3.82%
Long-term obligations	2,968,772	2,995,544	670	341	2,969,442	2,995,885	-0.88%
Other liabilities	4,298,582	4,626,799	7,779	7,817	4,306,361	4,634,616	-7.08%
Total liabilities	7,267,354	7,622,343	8,449	8,158	7,275,803	7,630,501	-4.65%
Net assets:							
Invested in capital assets, net of related debt	5,219,806	4,331,283	17,492	20,462	5,237,298	4,351,745	20.35%
Restricted	984,849	1,693,793	-	-	984,849	1,693,793	-41.86%
Unrestricted	(282,844)	(911,566)	89,470	50,585	(193,374)	(860,981)	77.54%
Total net assets	\$ 5,921,811	5,113,510	106,962	71,047	6,028,773	5,184,557	16.28%

The District's combined net assets increased by 16.28%, or \$844,216 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately 41.86% or \$708,944 compared to the prior year. The decrease in restricted net assets is primarily the result of the decrease in the Capital Project Accounts balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately 77.54% or \$667,607. The increase in unrestricted net assets is primarily the result of the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Figure A-4 Changes in Net Assets						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 409,817	519,594	188,954	195,893	598,771	715,487	-16.31%
Operating grants and contributions and restricted interest	805,589	1,107,733	194,310	193,067	999,899	1,300,800	-23.13%
General revenues:							
Property tax	3,103,298	2,581,662	-	-	3,103,298	2,581,662	20.21%
Income surtax	190,040	282,031	-	-	190,040	282,031	-32.62%
Statewide sales, service and use tax	401,388	480,951	-	-	401,388	480,951	-16.54%
Unrestricted state grants	3,126,892	2,445,122	-	-	3,126,892	2,445,122	27.88%
Nonspecific federal funding	305,978	-	-	-	305,978	0	100.00%
Unrestricted investment earnings	8,773	24,252	3,623	248	12,396	24,500	-49.40%
Other	123,979	16,313	2,392	-	126,371	16,313	674.66%
Total revenues	<u>8,475,754</u>	<u>7,457,658</u>	<u>389,279</u>	<u>389,208</u>	<u>8,865,033</u>	<u>7,846,866</u>	<u>12.98%</u>
Program expenses:							
Governmental activities:							
Instruction	5,078,737	4,858,956	-	-	5,078,737	4,858,956	4.52%
Support services	2,097,051	2,209,559	1,840	-	2,098,891	2,209,559	-5.01%
Non-instructional programs	4,133	-	351,524	369,523	355,657	369,523	-3.75%
Other expenses	487,532	570,628	-	-	487,532	570,628	-14.56%
Total expenses	<u>7,667,453</u>	<u>7,639,143</u>	<u>353,364</u>	<u>369,523</u>	<u>8,020,817</u>	<u>8,008,666</u>	<u>0.15%</u>
Change in net assets	808,301	(181,485)	35,915	19,685	844,216	(161,800)	621.77%
Net assets beginning of year, as restated	<u>5,113,510</u>	<u>5,294,995</u>	<u>71,047</u>	<u>51,362</u>	<u>5,184,557</u>	<u>5,346,357</u>	<u>3.03%</u>
Net assets end of year	<u>\$ 5,921,811</u>	<u>5,113,510</u>	<u>106,962</u>	<u>71,047</u>	<u>6,028,773</u>	<u>5,184,557</u>	<u>16.28%</u>

In fiscal 2011, local tax (property tax, income surtax and statewide sales and services tax), unrestricted state grants and nonspecific program federal grants account for 84.09% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.45% of the revenue from business type activities.

The District's total revenues were approximately \$8.87 million of which approximately \$8.48 million was for governmental activities and approximately \$0.39 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 12.98% in revenues and a 0.15% increase in expenses. The increase of \$521,636 in property tax and the increase of \$681,770 in unrestricted state grants was used to fund the increase in expenditures.

### Governmental Activities

Revenues for governmental activities were \$8,475,754 and expenses were \$7,667,453.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 5,078,737	4,858,956	4.52%	4,245,010	3,560,243	19.23%
Support services	2,097,051	2,209,559	-5.09%	2,003,756	2,168,063	-7.58%
Non-instructional	4,133	-	100.00%	4,133	-	100.00%
Other expenses	487,532	570,628	-14.56%	199,148	283,510	-29.76%
Totals	<u>\$ 7,667,453</u>	<u>7,639,143</u>	<u>0.37%</u>	<u>6,452,047</u>	<u>6,011,816</u>	<u>7.32%</u>

For the year ended June 30, 2011

- The cost financed by users of the District's programs was \$409,817.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$805,589.
- The net cost of governmental activities was financed with \$3,103,298 in property tax, \$190,040 in income surtax, \$401,388 in statewide sales, services and use tax, \$3,126,892 in unrestricted state grants, \$305,978 in nonspecific federal grants, \$8,773 in interest income and \$123,979 in other general revenues.

### Business-Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$389,279, representing a 0.01% increase over the prior year, while expenses totaled \$353,364, a 4.37% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,358,620, above last year's ending fund balances of \$659,212. However, the primary reason for the increase in combined fund balances in fiscal 2011 is due to increased fund balance in the General Fund.

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## **Governmental Fund Highlights**

- The District's General Fund balance increased from a deficit \$793,388 on June 30, 2010 to a positive \$36,210 on June 30, 2011. The fluctuation in the District's General Fund financial position is the product of many factors. Increase in local, state, and federal revenues led to an increase in revenues. The increase in expenditures was due to the increase of the expenditures in the regular and other instruction functional area. Revenues exceeded expenditures ensuring the increase in the District's financial position.
- The Capital Projects Accounts now include the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund due to the reclassification by GASB 54. The Capital Projects accounts balance overall decreased from \$1,207,332 in fiscal 2010 to \$1,077,632 in fiscal 2011. Revenues for the Capital Projects accounts decreased by \$1,192,516 or 71.34% and expenditures decreased by \$604,049 or 49.80%.
- The Debt Service Fund balance increased from \$5,574 on June 30, 2010 to \$8,601 on June 30, 2011.

## **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$71,047 at June 30, 2010 to \$106,962 at June 30, 2011, representing an increase of 50.55 %.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Nodaway Valley Community School District amended its budget one time to move \$150,000 from non-instructional programs function to the other expenditures function to reflect additional expenditures associated with the energy improvement projects and bond refinancing.

The District's revenues were \$132,371 less than budgeted revenues, a variance of 1.46%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested \$7,352,940, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$149,827.

The original cost of the District's capital assets was \$11,772,270. Governmental funds account for \$11,595,198, with the remainder of \$177,072 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The amount reported for the District's construction in progress at June 30, 2010 was \$1,627,328 as compared to \$1,777,930 for June 30, 2011. The increase is attributable to continuing construction costs for the District's energy improvement projects.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 38,401	38,401	-	-	38,401	38,401	0.00%
Construction in progress	1,777,930	1,627,328	-	-	1,777,930	1,627,328	9.25%
Buildings	4,148,619	4,166,445	-	-	4,148,619	4,166,445	-0.43%
Land improvements	586,312	647,722	-	-	586,312	647,722	-9.48%
Machinery and equipment	784,186	746,387	17,492	20,462	801,678	766,849	4.54%
Total	\$ 7,335,448	7,226,283	17,492	20,462	7,352,940	7,246,745	1.47%

### Long-Term Debt

At June 30, 2011, the District had \$2,969,442 in general obligation and other long-term debt outstanding. This represents a decrease of 0.88% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$875,000 at June 30, 2011.

The District had total outstanding Revenue Bonds payable of \$1,620,000 at June 30, 2011.

The District had a computer lease payable of \$380,000 at June 30, 2011.

The District had a scoreboard lease payable of \$2,755 at June 30, 2011.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$36,428 at June 30, 2011.

The District had net OPEB liability payable of \$55,259 at June 30, 2011; \$54,589 is attributable to governmental activities and \$670 is attributable to business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 875,000	990,000	-	-	875,000	990,000	-11.62%
Revenue bonds	1,620,000	1,905,000	-	-	1,620,000	1,905,000	-14.96%
Computer loan	380,000	-	-	-	380,000	-	100.00%
Scoreboard lease	2,755	-	-	-	2,755	-	100.00%
Early retirement	36,428	72,885	-	-	36,428	72,885	-50.02%
Net OPEB liability	54,589	27,659	670	341	55,259	28,000	97.35%
Total	\$ 2,968,772	2,995,544	670	341	2,969,442	2,995,885	-0.88%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2010 enrollment decreased by 16 students. The District's October 2011 enrollment increased by 9 students.
- The District has been able to do major infrastructure repairs and replacement due to the local option sales tax. Energy Services Group has been contracted to conduct an energy audit and make recommendations. The District completed Phase I projects and most of the Phase II energy improvement projects. The remainder of Phase II projects will be completed during fiscal year 2012.
- Instructional Support Levy has played a vital role in keeping the District solvent. The Board renewed the levy for five years on October 10, 2011.
- Due to safety and precautions, the District will continue a normal replacement of the District's transportation vehicles. To pay for these vehicles, the District will use a combination of resources from the General Fund, Capital Projects Fund and the Physical Plant and Equipment Levy.
- In order to update technology and make it more available to students, the District committed Instructional Support funds to purchasing computers. The District borrowed the money from First National Bank.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,180,260	83,098	2,263,358
Receivables:			
Property tax:			
Delinquent	45,325	-	45,325
Succeeding year	3,219,432	-	3,219,432
Income surtax	229,218	-	229,218
Accounts	6,693	-	6,693
Due from other governments	172,789	-	172,789
Inventories	-	14,821	14,821
Capital assets, net of accumulated depreciation	7,335,448	17,492	7,352,940
<b>Total assets</b>	<b>13,189,165</b>	<b>115,411</b>	<b>13,304,576</b>
<b>Liabilities</b>			
Accounts payable	229,885	-	229,885
Salaries and benefits payable	695,109	3,035	698,144
Interest payable	34,861	-	34,861
Deferred revenue:			
Succeeding year property tax	3,219,432	-	3,219,432
Other	119,295	-	119,295
Unearned revenue	-	4,744	4,744
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	130,000	-	130,000
Revenue bonds payable	290,000	-	290,000
Computer loan payable	90,473	-	90,473
Scoreboard lease payable	2,755	-	2,755
Early retirement payable	36,428	-	36,428
Portion due after one year:			
General obligation bonds payable	745,000	-	745,000
Revenue bonds payable	1,330,000	-	1,330,000
Computer loan payable	289,527	-	289,527
Net OPEB liability	54,589	670	55,259
<b>Total liabilities</b>	<b>7,267,354</b>	<b>8,449</b>	<b>7,275,803</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	5,219,806	17,492	5,237,298
Restricted for:			
Categorical funding	441,597	-	441,597
Debt service	8,601	-	8,601
Management levy	178,308	-	178,308
Student activities	40,824	-	40,824
School infrastructure	261,440	-	261,440
Physical plant and equipment levy	54,079	-	54,079
Unrestricted	(282,844)	89,470	(193,374)
<b>Total net assets</b>	<b>\$ 5,921,811</b>	<b>106,962</b>	<b>6,028,773</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 3,000,086	184,184	72,216	(2,743,686)	-	(2,743,686)
Special	911,347	34,136	122,878	(754,333)	-	(754,333)
Other	1,167,304	185,777	234,536	(746,991)	-	(746,991)
	<u>5,078,737</u>	<u>404,097</u>	<u>429,630</u>	<u>(4,245,010)</u>	<u>-</u>	<u>(4,245,010)</u>
Support services:						
Student	122,185	-	17,856	(104,329)	-	(104,329)
Instructional staff	219,295	-	66,966	(152,329)	-	(152,329)
Administration	745,071	-	-	(745,071)	-	(745,071)
Operation and maintenance of plant	567,489	-	-	(567,489)	-	(567,489)
Transportation	443,011	5,720	2,753	(434,538)	-	(434,538)
	<u>2,097,051</u>	<u>5,720</u>	<u>87,575</u>	<u>(2,003,756)</u>	<u>-</u>	<u>(2,003,756)</u>
Non-instructional programs:						
Food service operations	4,133	-	-	(4,133)	-	(4,133)
Other expenses:						
Long-term debt interest	101,345	-	-	(101,345)	-	(101,345)
AEA flowthrough	288,384	-	288,384	-	-	-
Depreciation(unallocated)*	97,803	-	-	(97,803)	-	(97,803)
	<u>487,532</u>	<u>-</u>	<u>288,384</u>	<u>(199,148)</u>	<u>-</u>	<u>(199,148)</u>
Total governmental activities	<u>7,667,453</u>	<u>409,817</u>	<u>805,589</u>	<u>(6,452,047)</u>	<u>-</u>	<u>(6,452,047)</u>
Business type activities:						
Support services:						
Student	238	-	-	-	(238)	(238)
Administration	170	-	-	-	(170)	(170)
Operation and maintenance of plant	1,432	-	-	-	(1,432)	(1,432)
Total support services	<u>1,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,840)</u>	<u>(1,840)</u>
Non-instructional programs:						
Nutrition services	351,524	188,954	194,310	-	31,740	31,740
Total business type activities	<u>353,364</u>	<u>188,954</u>	<u>194,310</u>	<u>-</u>	<u>29,900</u>	<u>29,900</u>
Total	<u>\$ 8,020,817</u>	<u>598,771</u>	<u>999,899</u>	<u>(6,452,047)</u>	<u>29,900</u>	<u>(6,422,147)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 2,880,025	-	2,880,025
Capital outlay				66,798	-	66,798
Debt service				156,475	-	156,475
Income surtax				190,040	-	190,040
Statewide sales, services and use tax				401,388	-	401,388
Unrestricted state grants				3,126,892	-	3,126,892
Nonspecific federal grants				305,978	-	305,978
Unrestricted investment earnings				8,773	3,623	12,396
Other				123,979	2,392	126,371
Total general revenues				<u>7,260,348</u>	<u>6,015</u>	<u>7,266,363</u>
Changes in net assets				808,301	35,915	844,216
Net assets beginning of year				<u>5,113,510</u>	<u>71,047</u>	<u>5,184,557</u>
Net assets end of year				<u>\$ 5,921,811</u>	<u>106,962</u>	<u>6,028,773</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 875,030	1,066,164	5,956	230,952	2,178,102
Receivables:					
Property tax:					
Delinquent	39,861	931	2,645	1,888	45,325
Succeeding year	2,932,884	69,027	152,521	65,000	3,219,432
Income surtax	229,218	-	-	-	229,218
Accounts	2,699	-	-	3,994	6,693
Due from other governments	107,110	65,679	-	-	172,789
<b>Total assets</b>	<b>\$ 4,186,802</b>	<b>1,201,801</b>	<b>161,122</b>	<b>301,834</b>	<b>5,851,559</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 174,215	55,142	-	528	229,885
Salaries and benefits payable	694,980	-	-	129	695,109
Deferred revenue:					
Succeeding year property tax	2,932,884	69,027	152,521	65,000	3,219,432
Income surtax	229,218	-	-	-	229,218
Other	119,295	-	-	-	119,295
<b>Total liabilities</b>	<b>4,150,592</b>	<b>124,169</b>	<b>152,521</b>	<b>65,657</b>	<b>4,492,939</b>
Fund balances:					
Restricted for:					
Categorical funding	441,597	-	-	-	441,597
Construction	-	382,113	-	-	382,113
Debt service	-	-	8,601	-	8,601
Management levy purposes	-	-	-	214,736	214,736
Student activities	-	-	-	40,824	40,824
School infrastructure	-	641,440	-	-	641,440
Physical plant and equipment	-	54,079	-	-	54,079
Unassigned					
General	(405,387)	-	-	-	(405,387)
Student activities	0	-	-	(19,383)	(19,383)
<b>Total fund balances</b>	<b>36,210</b>	<b>1,077,632</b>	<b>8,601</b>	<b>236,177</b>	<b>1,358,620</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,186,802</b>	<b>1,201,801</b>	<b>161,122</b>	<b>301,834</b>	<b>5,851,559</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds(page 20)</b>	\$	1,358,620
 <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.		7,335,448
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		229,218
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		2,158
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.		(34,861)
Long-term liabilities, including bonds payable, scoreboard lease payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(2,968,772)</u>
 <b>Net assets of governmental activities(page 18)</b>	 \$	 <u>5,921,811</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
<b>Local sources:</b>					
Local tax	\$ 2,982,123	452,118	156,475	130,265	3,720,981
Tuition	202,175	-	-	-	202,175
Other	158,698	4,105	5,468	210,432	378,703
State sources	3,584,921	16,111	90	86	3,601,208
Federal sources	615,010	-	-	-	615,010
<b>Total revenues</b>	<b>7,542,927</b>	<b>472,334</b>	<b>162,033</b>	<b>340,783</b>	<b>8,518,077</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	2,958,733	2,298	-	55,748	3,016,779
Special	911,347	-	-	-	911,347
Other	960,882	-	-	199,827	1,160,709
	<b>4,830,962</b>	<b>2,298</b>	<b>-</b>	<b>255,575</b>	<b>5,088,835</b>
<b>Support services:</b>					
Student	120,384	-	-	918	121,302
Instructional staff	213,471	738	-	918	215,127
Administration	721,575	901	13,450	10,829	746,755
Operation and maintenance of plant	577,623	14,034	-	51,689	643,346
Transportation	341,969	74,219	-	22,702	438,890
	<b>1,975,022</b>	<b>89,892</b>	<b>13,450</b>	<b>87,056</b>	<b>2,165,420</b>
<b>Non-instructional programs:</b>					
Food service operations	-	-	-	4,133	4,133
<b>Other expenditures:</b>					
Facilities acquisitions	-	155,211	-	-	155,211
<b>Long-term debt:</b>					
Principal	-	-	412,755	-	412,755
Interest & fiscal charges	-	-	115,669	-	115,669
AEA flowthrough	288,384	-	-	-	288,384
	<b>288,384</b>	<b>155,211</b>	<b>528,424</b>	<b>-</b>	<b>972,019</b>
<b>Total expenditures</b>	<b>7,094,368</b>	<b>247,401</b>	<b>541,874</b>	<b>346,764</b>	<b>8,230,407</b>
<b>Excess(Deficiency) of revenues over(under) expenditures</b>	<b>448,559</b>	<b>224,933</b>	<b>(379,841)</b>	<b>(5,981)</b>	<b>287,670</b>
<b>Other financing sources(uses):</b>					
Transfer in	-	-	365,785	-	365,785
Transfer out	(1,356)	(361,383)	-	(3,046)	(365,785)
Refunding bond issuance	-	-	875,000	-	875,000
Premium on refunding bonds	-	-	11,775	-	11,775
Discount on refunding bonds	-	-	(4,692)	-	(4,692)
Payment to escrow	-	-	(865,000)	-	(865,000)
Sale of building	-	6,750	-	-	6,750
Sale of assets	2,395	-	-	-	2,395
Proceeds from scoreboard lease	-	-	-	5,510	5,510
Proceeds from computer lease	380,000	-	-	-	380,000
<b>Total other financing sources(uses)</b>	<b>381,039</b>	<b>(354,633)</b>	<b>382,868</b>	<b>2,464</b>	<b>411,738</b>
<b>Net change in fund balances</b>	<b>829,598</b>	<b>(129,700)</b>	<b>3,027</b>	<b>(3,517)</b>	<b>699,408</b>
<b>Fund balance beginning of year, as restated</b>	<b>(793,388)</b>	<b>1,207,332</b>	<b>5,574</b>	<b>239,694</b>	<b>659,212</b>
<b>Fund balance end of year</b>	<b>\$ 36,210</b>	<b>1,077,632</b>	<b>8,601</b>	<b>236,177</b>	<b>1,358,620</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

<b>Net change in fund balances - total governmental funds(page 22)</b>	\$	699,408
 <b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
 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, depreciation expense, and loss on disposal in the year are as follows:		
Loss on disposal	\$ (9,673)	
Capital outlays	262,746	
Depreciation expense	<u>(143,908)</u>	109,165
 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.		
		14,324
 Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues and repayments are as follows:		
Issued	\$ (1,260,510)	
Repaid	<u>1,277,755</u>	17,245
 Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis.		
		955
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(42,323)
 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.		
Other postemployment benefits	\$ (26,930)	
Early retirement	<u>36,457</u>	<u>9,527</u>
 <b>Changes in net assets of governmental activities(page 19)</b>	 \$	 <u><u>808,301</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Assets		
Current assets:		
Cash and pooled investments	\$ 83,098	2,158
Inventories	14,821	-
Total current assets	<u>97,919</u>	<u>2,158</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	17,492	-
Total assets	<u>115,411</u>	<u>2,158</u>
Liabilities		
Current liabilities:		
Salaries and benefits payable	3,035	-
Unearned revenue	4,744	-
Total current liabilities	<u>7,779</u>	<u>-</u>
Long-term liabilities:		
Net OPEB liability	670	-
Total long-term liabilities	<u>670</u>	<u>-</u>
Total liabilities	<u>8,449</u>	<u>-</u>
Net Assets		
Invested in capital assets	17,492	-
Unrestricted	89,470	2,158
Total net assets	<u>\$ 106,962</u>	<u>2,158</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 188,954	-
Miscellaneous	2,392	29,479
Total operating revenues	<u>191,346</u>	<u>29,479</u>
Operating expenses:		
Support services:		
Instructional staff:		
Services	121	-
Supplies	117	-
Administration:		
Services	170	-
Operation and maintenance of plant:		
Supplies	1,432	-
	<u>1,840</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	124,439	-
Benefits	24,043	-
Services	2,512	-
Supplies	194,611	-
Depreciation	5,919	-
	<u>351,524</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	28,524
Total operating expenses	<u>353,364</u>	<u>28,524</u>
Operating loss	<u>(162,018)</u>	<u>955</u>
Non-operating revenues:		
State sources	3,605	-
Federal sources	190,705	-
Interest income	3,623	-
Total non-operating revenues	<u>197,933</u>	<u>-</u>
Change in net assets	35,915	955
Net assets beginning of year	<u>71,047</u>	<u>1,203</u>
Net assets end of year	<u>\$ 106,962</u>	<u>2,158</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from charges for services	\$ 189,404	-
Cash received from miscellaneous operating activities	2,392	29,479
Cash payments to employees for services	(147,944)	-
Cash payments to suppliers for goods or services	(178,971)	(28,524)
Net cash provided by(used in) operating activities	<u>(135,119)</u>	<u>955</u>
Cash flows from non-capital financing activities:		
State grants received	3,605	-
Federal grants received	166,037	-
Net cash provided by non-capital financing activities	<u>169,642</u>	<u>-</u>
Cash flows from capital financing activities:		
Purchase of assets	(2,949)	-
Cash flows from investing activities:		
Interest on investment	3,623	-
Net increase in cash and cash equivalents	35,197	955
Cash and cash equivalents at beginning of year	47,901	1,203
Cash and cash equivalents at end of year	<u>\$ 83,098</u>	<u>2,158</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (162,018)	955
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	24,668	-
Depreciation	5,919	-
Increase in inventories	(4,676)	-
Decrease in accounts receivable	697	-
Increase in salaries and benefits payable	209	-
Decrease in unearned revenues	(247)	-
Increase in other postemployment benefits	329	-
Net cash provided by(used in) operating activities	<u>\$ (135,119)</u>	<u>955</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$24,668.

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

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

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

**A. Reporting Entity**

For financial reporting purposes, Nodaway Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Nodaway Valley Community School District has no component units 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 Adair and Madison 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

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 and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District also reports two non-major proprietary funds:

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

The Internal Service Fund is used to account for the self-funded employee health insurance plan of the District and the employee's flexible spending plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been

recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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	\$ 500
Buildings	3,000
Land improvements	3,000
Intangibles	20,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	10-20 years
Intangibles	3-20 years
Machinery and equipment	5-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. For the year ended June 30, 2011, District expenditures in the non-instructional programs functional area exceeded the budgeted amount.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$317,017 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Service and Use Tax	\$ 361,383
Debt Service	General	1,356
Activity	Debt Service	3,046
		<u>\$ 365,785</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond debt.

The transfer from the General Fund to the Debt Service Fund was needed for payment of interest on the District's anticipatory warrant.

The transfer from the Student Activity Fund to the Debt Service Fund was needed for principal and interest payments on the District's scoreboard lease.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 174,123	2,949	-	177,072
Less accumulated depreciation	153,661	5,919	-	159,580
Business Type activities capital assets, net	<u>\$ 20,462</u>	<u>(2,970)</u>	<u>-</u>	<u>17,492</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 38,401	-	-	38,401
Construction in progress	1,627,328	150,602	-	1,777,930
Total capital assets not being depreciated	1,665,729	150,602	-	1,816,331
Capital assets being depreciated:				
Buildings	7,329,632	28,240	217,830	7,140,042
Land improvements	982,032	-	28,240	953,792
Machinery and equipment	1,618,004	83,904	16,875	1,685,033
Total capital assets being depreciated	9,929,668	112,144	262,945	9,778,867
Less accumulated depreciation for:				
Buildings	3,163,187	36,393	208,157	2,991,423
Land improvements	334,310	61,410	28,240	367,480
Machinery and equipment	871,617	46,105	16,875	900,847
Total accumulated depreciation	4,369,114	143,908	253,272	4,259,750
Total capital assets being depreciated, net	5,560,554	(31,764)	9,673	5,519,117
Governmental activities capital assets, net	\$ 7,226,283	118,838	9,673	7,335,448

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 2,521
Other		6,595
Support services:		
Instructional staff		3,524
Operation and maintenance of plant		1,453
Transportation		32,012
		<u>46,105</u>
Unallocated depreciation		<u>97,803</u>
Total governmental activities depreciation expense		<u>\$ 143,908</u>
Business type activities:		
Food services		<u>\$ 5,919</u>

#### (5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 341	329	-	670	-

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds \$	990,000	875,000	990,000	875,000	130,000
Revenue bonds	1,905,000	-	285,000	1,620,000	290,000
Computer loan	-	380,000	-	380,000	90,473
Scoreboard lease	-	5,510	2,755	2,755	2,755
Early retirement	72,885	-	36,457	36,428	36,428
Net OPEB liability	27,659	26,930	-	54,589	-
Total	\$ 2,995,544	1,287,440	1,314,212	2,968,772	549,656

#### General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of April 2011			
	Interest Rates	Principal	Interest	Total
2012	2.00	% \$ 130,000	22,021	152,021
2013	2.00	130,000	16,275	146,275
2014	2.00	135,000	13,675	148,675
2015	2.00	130,000	10,975	140,975
2016	2.00	125,000	8,375	133,375
2017-2018	2.50-2.75	225,000	8,625	233,625
Total		\$ 875,000	79,946	954,946

#### Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of June 2008			
	Interest Rates	Principal	Interest	Total
2012	3.25	% \$ 165,000	21,251	186,251
2013	3.30	170,000	15,765	185,765
2014	3.50	180,000	9,810	189,810
2015	3.60	185,000	3,330	188,330
2016	-	-	-	-
2017	-	-	-	-
Total		\$ 700,000	50,156	750,156

Year Ending June 30,	Bond Issue of 2009 Series A			Bond Issue of 2009 Series B			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	2.20	% \$ 125,000	4,625	-	-	30,150	290,000	56,026	346,026
2013	2.60	125,000	1,625	-	-	30,150	295,000	47,540	342,540
2014	-	-	-	4.50	125,000	27,338	305,000	37,148	342,148
2015	-	-	-	4.50	125,000	21,713	310,000	25,043	335,043
2016	-	-	-	4.50	200,000	14,400	200,000	14,400	214,400
2017	-	-	-	4.50	220,000	4,950	220,000	4,950	224,950
Total		\$ 250,000	6,250		\$ 670,000	128,701	\$ 1,620,000	185,107	1,805,107

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in 2008 and 2009. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

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

- a) An amount equal to accrued interest shall be deposited to a sinking fund for application to the first payment of interest on the bonds.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Computer Loan

During the year ended June 30, 2011, the District entered into a four year loan through First National Bank of Greenfield, Iowa, for the purchase of laptop computers as part of the District's One on One Initiative for students. Principal and interest payments on the computer loan will be paid from the General Fund. Details of the computer loan are as follows:

Year Ending June 30,	Computer Loan of June 2011				
	Interest Rates		Principal	Interest	Total
2012	3.50	% \$	90,473	12,035	102,508
2013	3.50		93,181	9,327	102,508
2014	3.50		96,470	6,038	102,508
2015	3.50		99,876	2,632	102,508
			<u>\$ 380,000</u>	<u>30,032</u>	<u>410,032</u>

Scoreboard Lease

During the year ended June 30, 2011, the District entered into an agreement to lease a scoreboard. The purchase was financed through First Bank and Trust Leasing Services of Fargo, North Dakota. The final lease payment remaining of \$2,755 in principal and \$291 in interest is payable from the Student Activity Fund in fiscal 2012.

Early Retirement

The District did not offer a voluntary early retirement plan to its employees fiscal 2011. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The applications for early retirement are submitted to the superintendent, who in turn submits to the Board of Education for approval. Four employees from fiscal 2010 were being paid out unemployment over two years.

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

At June 30, 2011, the District has obligations to four participants with actual early retirement expenditures for the year ended June 30, 2011 totaled \$36,457.

**(6) 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$294,887, \$298,399, and \$267,557 respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 79 active and 3 retired members in the plan.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit and explicit 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 of the District (ARC), 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 June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,000
Interest on net OPEB obligation	1,260
Adjustment to annual required contribution	(1,001)
Annual OPEB cost	<u>50,259</u>
Contributions made	(23,000)
Increase in net OPEB obligation	<u>27,259</u>
Net OPEB obligation - beginning of year	<u>28,000</u>
Net OPEB obligation - end of year	<u><u>\$ 55,259</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 50,000	44.00%	\$ 28,000
2011	50,259	45.76%	55,259

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$353,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$353,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,659,442, and the ratio of the UAAL to the covered payroll was 9.65%. As of June 30, 2011, 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 healthcare 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 the 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 that are 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 July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the information provided by the Nodaway Valley Community School District based on the average retirement age of pension eligible retirees over the past five years.

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

Plan	500	1000	2500
Projected claim cost	<u>\$929.73</u>	<u>\$854.42</u>	<u>\$692.59</u>

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$288,384 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Refunding General Obligation Bonds**

On April 1, 2011, the District issued \$875,000 in general obligation bonds, with interest rates ranging from 2.00% to 2.75%, to advance refund \$865,000 of outstanding general obligation bonds dated October 1, 2005. The amount of the refunded general obligation bonds was considered extinguished and, therefore, excluded from the long-term debt. The new refunding bonds have been added to the appropriate financial statement and schedules. This refunding was undertaken to reduce total debt service payments over the next ten years by \$40,580 and resulted in a net present value savings of \$37,895.

**(11) Anticipatory Warrant**

On August 19, 2010, the District entered into an agreement with First National Bank of Greenfield, Iowa, to provide for the issuance of a \$700,000 warrant in anticipation of General Fund tax receipts. A summary of the District's anticipatory warrant activity for the year ended June 30, 2011 is as follows:

Warrant Date	Final Warrant Maturity	Interest Rates	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Paid
8/19/2010	5/30/2011	3.00%	\$ -	\$ 300,000	\$ 300,000	\$ -	\$ 1,356

**(12) Construction Commitments**

The District has entered into various contracts for projects within the District. As of June 30, 2011, costs of \$1,777,930 had been incurred against the contracts. The balance remaining at June 30, 2011 will be paid as work on the projects progresses.

**(13) 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, 2011, expenditures in the non-instructional programs functional area exceeded the budgeted amount.

**(14) Categorical Funding**

The District's ending restricted fund balances for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 84,614
Dropout and dropout prevention	313,848
Teacher salary supplement	852
Iowa alliance for the arts	3,043
Vocational aid	4,789
Professional development, model core curriculum	31,992
Market factor	2,459
Total	<u>\$ 441,597</u>

**(15) Deficit Fund Balance**

At June 30, 2011, the General Fund had a deficit unassigned fund balance of \$405,387 and a deficit unassigned fund balance in the Student Activity Fund of \$19,383. The District had a deficit unrestricted net assets balance in the governmental activities of \$282,844.

**(16) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 1,118,056	89,276
Change in fund type classification per implementation of GASB Statement No. 54	89,276	(89,276)
Balances July 1, 2010, as restated	<u>\$ 1,207,332</u>	<u>0</u>

Nodaway Valley Community School District

REQUIRED SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,301,859	194,969	4,496,828	4,549,205	4,549,205	(52,377)
State sources	3,601,208	3,605	3,604,813	4,080,522	4,080,522	(475,709)
Federal sources	615,010	190,705	805,715	410,000	410,000	395,715
Total revenues	<u>8,518,077</u>	<u>389,279</u>	<u>8,907,356</u>	<u>9,039,727</u>	<u>9,039,727</u>	<u>(132,371)</u>
Expenditures/Expenses:						
Instruction	5,088,835	-	5,088,835	5,353,923	5,353,923	265,088
Support services	2,165,420	1,840	2,167,260	2,483,646	2,483,646	316,386
Non-instructional programs	4,133	351,524	355,657	477,162	327,162	(28,495)
Other expenditures	972,019	-	972,019	1,028,959	1,178,959	206,940
Total expenditures/expenses	<u>8,230,407</u>	<u>353,364</u>	<u>8,583,771</u>	<u>9,343,690</u>	<u>9,343,690</u>	<u>759,919</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	287,670	35,915	323,585	(303,963)	(303,963)	627,548
Other financing sources, net	411,738	-	411,738	-	-	-
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	699,408	35,915	735,323	(303,963)	(303,963)	627,548
Balance beginning of year	659,212	71,047	730,259	(314,405)	(314,405)	1,044,664
Balance end of year	<u>\$ 1,358,620</u>	<u>106,962</u>	<u>1,465,582</u>	<u>(618,368)</u>	<u>(618,368)</u>	<u>1,672,212</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment moving \$150,000 from non-instructional programs function to the other expenditures function.

During the year ended June 30, 2011, expenditures in the non-instructional programs area exceeded the budgeted amount.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	\$ 353,000	\$ 353,000	0.0%	\$ 3,590,000	9.83%
2011	July 1, 2009	0	353,000	353,000	0.0%	3,659,442	9.65%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 212,848	18,104	230,952
Receivables:			
Property tax:			
Delinquent	1,888	-	1,888
Succeeding year	65,000	-	65,000
Accounts	-	3,994	3,994
<b>Total assets</b>	<b>\$ 279,736</b>	<b>22,098</b>	<b>301,834</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	528	528
Salaries and benefits payable	-	129	129
Deferred revenue:			
Succeeding year property tax	65,000	-	65,000
<b>Total liabilities</b>	<b>65,000</b>	<b>657</b>	<b>65,657</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Management levy purpose	214,736	-	214,736
Student activities	-	40,824	40,824
<b>Unassigned:</b>			
Student activities	-	(19,383)	(19,383)
<b>Total fund balances</b>	<b>214,736</b>	<b>21,441</b>	<b>236,177</b>
<b>Total liabilities and fund balances</b>	<b>\$ 65,000</b>	<b>22,098</b>	<b>301,834</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 130,265	-	130,265
Other	17,179	193,253	210,432
State sources	86	-	86
Total revenues	<u>147,530</u>	<u>193,253</u>	<u>340,783</u>
Expenditures:			
Current:			
Instruction:			
Regular	55,748	-	55,748
Other	-	199,827	199,827
Support services:			
Student	918	-	918
Instructional staff	918	-	918
Administration	10,829	-	10,829
Operation and maintenance of plant	51,689	-	51,689
Transportation	22,702	-	22,702
Non-instructional programs:			
Food service operations	4,133	-	4,133
Total expenditures	<u>146,937</u>	<u>199,827</u>	<u>346,764</u>
Excess(Deficiency) of revenues over(under) expenditures	593	(6,574)	(5,981)
Other financing sources(uses):			
Proceeds from scoreboard lease	-	5,510	5,510
Transfer out	-	(3,046)	(3,046)
Total other financing sources(uses)	<u>-</u>	<u>2,464</u>	<u>2,464</u>
Net change in fund balances	593	(4,110)	(3,517)
Fund balance beginning of year, as restated	<u>214,143</u>	<u>25,551</u>	<u>239,694</u>
Fund balance end of year	<u>\$ 214,736</u>	<u>21,441</u>	<u>236,177</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,011,163	55,001	1,066,164
Receivables:			
Property tax			
Delinquent	-	931	931
Succeeding year	-	69,027	69,027
Due from other governments	65,679	-	65,679
<b>Total assets</b>	<b>\$ 1,076,842</b>	<b>124,959</b>	<b>1,201,801</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 53,289	1,853	55,142
Deferred revenue:			
Succeeding year property tax	-	69,027	69,027
<b>Total liabilities</b>	<b>53,289</b>	<b>70,880</b>	<b>124,169</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Construction	382,113	-	382,113
School infrastructure	641,440	-	641,440
Physical plant and equipment	-	54,079	54,079
<b>Total fund balances</b>	<b>1,023,553</b>	<b>54,079</b>	<b>1,077,632</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,076,842</b>	<b>124,959</b>	<b>1,201,801</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 385,320	66,798	452,118
Other	4,056	49	4,105
State sources	16,068	43	16,111
Total revenues	<u>405,444</u>	<u>66,890</u>	<u>472,334</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	2,298	2,298
Support services:			
Instructional staff	-	738	738
Administration	-	901	901
Operation and maintenance of plant	8,206	5,828	14,034
Transportation	-	74,219	74,219
Other expenditures:			
Facilities acquisition	130,358	24,853	155,211
Total expenditures	<u>138,564</u>	<u>108,837</u>	<u>247,401</u>
Other financing sources(uses):			
Sale of building	-	6,750	6,750
Transfer out	(361,383)	-	(361,383)
Total other financing sources(uses)	<u>(361,383)</u>	<u>6,750</u>	<u>(354,633)</u>
Net change in fund balances	(94,503)	(35,197)	(129,700)
Fund balance beginning of year, as restated	<u>1,118,056</u>	<u>89,276</u>	<u>1,207,332</u>
Fund balance end of year	<u>\$ 1,023,553</u>	<u>54,079</u>	<u>1,077,632</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Drama	\$ 617	1,612	1,741	-	488
Vocal music	2,663	4,609	6,008	-	1,264
Band	629	7,217	7,405	-	441
Scoreboard fund	7,950	10,510	12,638	(3,046)	2,776
Basketball	-	33,509	30,365	-	3,144
Coed soccer	(4,463)	-	213	4,676	-
Baseball-softball	405	5,077	9,746	4,264	-
Track	100	-	100	-	-
Golf	(1)	-	-	1	-
Wrestling	(1,786)	8,354	4,752	-	1,816
Volleyball	-	8,434	7,476	-	958
Dance team	870	998	357	-	1,511
Cheerleading	335	-	-	-	335
FFA	44	19,218	18,572	-	690
National Honor Society	(75)	-	-	75	-
Student council	275	6,262	6,502	-	35
Activity ticket	(40)	9,713	8,962	-	711
Girls basketball camp	3,217	4,127	7,344	-	-
Juice and pop machine	-	240	-	-	240
History books	(5,197)	-	-	5,197	-
Yearbook middle school	508	656	-	-	1,164
Yearbook	8,515	9,473	11,399	-	6,589
NV boys basketball camps fund	231	355	164	-	422
MS student council	1,793	10,377	7,245	-	4,925
Class of 2009	1	-	1	-	-
Class of 2010	658	-	-	88	746
Class of 2011	6,016	115	3,395	-	2,736
Class of 2012	2,101	17,267	15,564	-	3,804
Class of 2013	185	6,223	474	-	5,934
Class of 2014	-	95	-	-	95
Negative fund balance- cheerleading	-	115	1,165	-	(1,050)
Negative fund balance- honor society	-	481	710	(75)	(304)
Negative fund balance- history books	-	107	-	(5,197)	(5,090)
Negative fund balance- soccer	-	6,691	8,907	(4,765)	(6,981)
Negative fund balance- football	-	16,157	19,740	-	(3,583)
Negative fund balance- golf	-	332	955	-	(623)
Negative fund balance- track	-	7,446	7,927	-	(481)
Negative fund	-	2,993	-	(4,264)	(1,271)
Total	\$ 25,551	198,763	199,827	(3,046)	21,441

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,720,981	3,263,173	3,171,353	3,039,974	3,025,752	2,927,106	2,926,431	2,597,762
Tuition	202,175	161,170	157,308	137,680	157,706	125,053	127,338	99,421
Other	378,703	397,834	331,650	347,326	353,245	495,234	259,834	226,266
Intermediate sources	-	-	-	-	-	103	-	-
State sources	3,601,208	3,227,689	3,846,166	3,791,546	3,446,890	3,426,585	3,383,312	3,347,324
Federal sources	615,010	325,166	249,685	183,982	186,358	191,085	202,301	220,322
Total	\$ 8,518,077	7,375,032	7,756,162	7,500,508	7,169,951	7,165,166	6,899,216	6,491,095
Expenditures:								
Current:								
Instruction:								
Regular	\$ 3,016,779	2,653,950	2,901,054	2,769,469	2,303,741	2,153,852	2,353,831	2,221,520
Special	911,347	940,099	857,693	792,189	818,833	729,609	997,283	997,607
Other	1,160,709	1,192,273	1,266,548	1,053,215	943,112	1,038,156	610,754	600,342
Support services:								
Student	121,302	176,161	52,152	79,660	75,520	85,252	77,039	73,845
Instructional staff	215,127	179,222	271,782	219,251	247,715	201,143	141,386	111,671
Administration	746,755	800,821	820,304	818,182	807,012	731,596	772,778	693,256
Operation and maintenance of plant	643,346	650,440	730,112	689,551	668,638	630,562	504,911	450,698
Transportation	438,890	444,562	371,172	403,514	483,665	344,023	318,494	292,086
Non-instructional programs	4,133	-	3,257	3,047	2,764	2,492	2,310	2,337
Other expenditures:								
Facilities acquisitions	155,211	931,734	1,079,557	394,867	114,925	511,367	175,248	15,807
Long-term debt:								
Principal	412,755	275,000	330,000	365,000	1,650,000	335,000	320,000	285,000
Interest & fiscal charges	115,669	71,491	66,665	59,306	128,612	146,001	109,314	145,128
AEA flow-through	288,384	287,118	261,611	252,005	242,400	237,121	237,625	240,419
Total	\$ 8,230,407	8,602,871	9,011,907	7,899,256	8,486,937	7,146,174	6,620,973	6,129,716

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	40,339
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	150,366 *
			<u>190,705</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2673-G	88,862
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	120
			<u>88,982</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATE	84.048	FY 11	5,295
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	FY 11	5,468
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE II A)	84.367	FY 11	61,602
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI)	84.369	FY 10	853
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI)	84.369	FY 11	4,511
			<u>5,364</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	216,404
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	36,697
			<u>253,101</u>
EDUCATION JOBS FUND	84.410	FY 11	52,877
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	37,617
SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	53,332
			<u>90,949</u>
TOTAL			<u>\$ 754,343</u>

\* Includes \$24,668 of non-cash awards

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Nodaway Valley 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 general-purpose 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  
Nodaway Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 29, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purposes 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 another deficiency we consider to be a significant deficiency.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination or deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or a 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 item II-B-11 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nodaway Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 29, 2012

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

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

Compliance

We have audited Nodaway Valley Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Nodaway Valley Community School District's major federal programs for the year ended June 30, 2011. Nodaway Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Nodaway Valley Community School District's management. Our responsibility is to express an opinion on Nodaway Valley Community School District's compliance based on our audit.

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

In our opinion, Nodaway Valley Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Nodaway Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Nodaway Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nodaway Valley Community School District's internal control over compliance.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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-11 to be a material weakness

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 29, 2012

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

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

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

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

II-B-11 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for non-certified coaches.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - We will begin requiring coaches to turn in monthly time sheets and documentation will be kept for all employees.

Conclusion - Response accepted.

OTHER MATTERS:

II-C-11 Student Activity Fund Interest - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund.

Recommendation - Interest earned each year should be allocated out at least on an annual basis to the individual activity accounts.

Response - We will begin allocating interest to individual accounts in the Student Activity Fund on a monthly basis.

Conclusion - Response accepted.

II-D-11 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a timelier manner.

Response - We will continue to review board policies at monthly board meetings.

Conclusion - Response accepted.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2011  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.394: State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act  
Federal Award Year: 2010 & 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We will continue to review our procedures and implement additional controls where possible.

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

Conclusion - Response accepted.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, exceeded the certified budget amounts in the non-instructional programs functional area.

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 - We will review and monitor the certified budget and amend any areas prior to exceeding the budget.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses or District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rose Gantham, Teacher Spouse owns Grantham Sanitation	Supplies	\$10,079
Clint Hight, Board Member Official	Purchased service	\$180

In accordance with the Attorney General's Opinion dated November 9, 1976, the above transaction with the teacher's spouse does not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not appear to represent a conflict of interest.

IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of non-public students reported was understated by 2.0.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve the matter.

Conclusion - Response accepted.

- IV-H-11 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-I-11 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-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales, Services and Use 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	1,118,056
Revenues/transfers in:			
Sales tax revenues	\$	385,320	
Other Local Revenues		4,056	
School infrastructure		16,068	405,444
			<u>1,523,500</u>
Expenditures/transfers out			
Equipment	\$	8,206	
Other		130,358	
Transfers to other funds:			
Debt service fund		361,383	499,947
			<u>499,947</u>
Ending Balance		\$	<u><u>1,023,553</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-11 Lease Agreement in the Student Activity Account - We noted that the District entered into a lease agreement for a scoreboard purchased from the Student Activity Fund. There does not appear to be any code section that allows for the Activity Fund to enter into debt, therefore, the loan would appear to be inappropriate.

Recommendation - The District should pay off the loan as soon as possible and refrain from entering into debt in the Student Activity Fund.

Response - We will pay off the loan and not enter into debt in the Activity Fund.

Conclusion - Response accepted.

IV-N-11 Financial Condition - We noted during our audit that the Special Revenue, Student Activity Fund has eight accounts with deficit balances totaling \$19,383. The District's General Fund had a deficit unassigned fund balance of \$405,387 at June 30, 2011. We also noted that the District has a deficit unrestricted net assets balance in the governmental activities of \$282,844.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review the controls in place for the Student Activity Fund. Additional controls for approving purchases may be needed. In addition, the District should create a workout plan to address the deficit Student Activity Fund account balances.

Response - We will review controls for approving purchases. We will require two signatures on all activity purchase orders. We will develop a workout plan to get each account back to a positive ending balance.

Conclusion - Response accepted.