

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Nishna Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Matthew Perkins	President (Resigned July 2010)	2011
Peter Franks	President (Assigned July 2010)	2011
Robert Erickson	Vice President	2011
Tracey Anderson	Board Member	2011
Jenna Gravett	Board Member (Resigned September 2010)	2011
Matt Urban	Board Member (Assigned September 2010)	2011
Roger Beem	Board Member (Resigned September 2010)	2011
Brad Lewis	Board Member (Assigned September 2010)	2011
School Officials		
William Crilly	Superintendent	2011
Gloria McComb	Business Manager/ Board Secretary	2011
Engel Law Office	Attorney	2011

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

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

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

**INDEPENDENT AUDITOR'S REPORT**

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

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

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

Residents of the Nishna Valley Community School District and the Malvern Community School District voted to pass a resolution for reorganization of the two Districts. The reorganization of the two Districts became effective on July 1, 2011. More detailed information about the merger is available in Note 12.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of the Nishna Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

**Members American Institute & Iowa Society of Certified Public Accountants**

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nishna Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 (which is not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

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

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Nishna Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$3,676,626 in fiscal 2010 to \$4,035,692 in fiscal 2011, while General Fund expenditures decreased from \$3,345,522 in fiscal 2010 to \$3,249,182 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$635,323 in fiscal 2010 to a balance of \$1,421,833 in fiscal 2011, a 123.80% increase from the prior year.
- The increase in General Fund revenues was attributable primarily to an increase in local, state and federal sources in fiscal 2011. The decrease in expenditures was due primarily to the decrease in expenditures in all 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 Nishna Valley Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

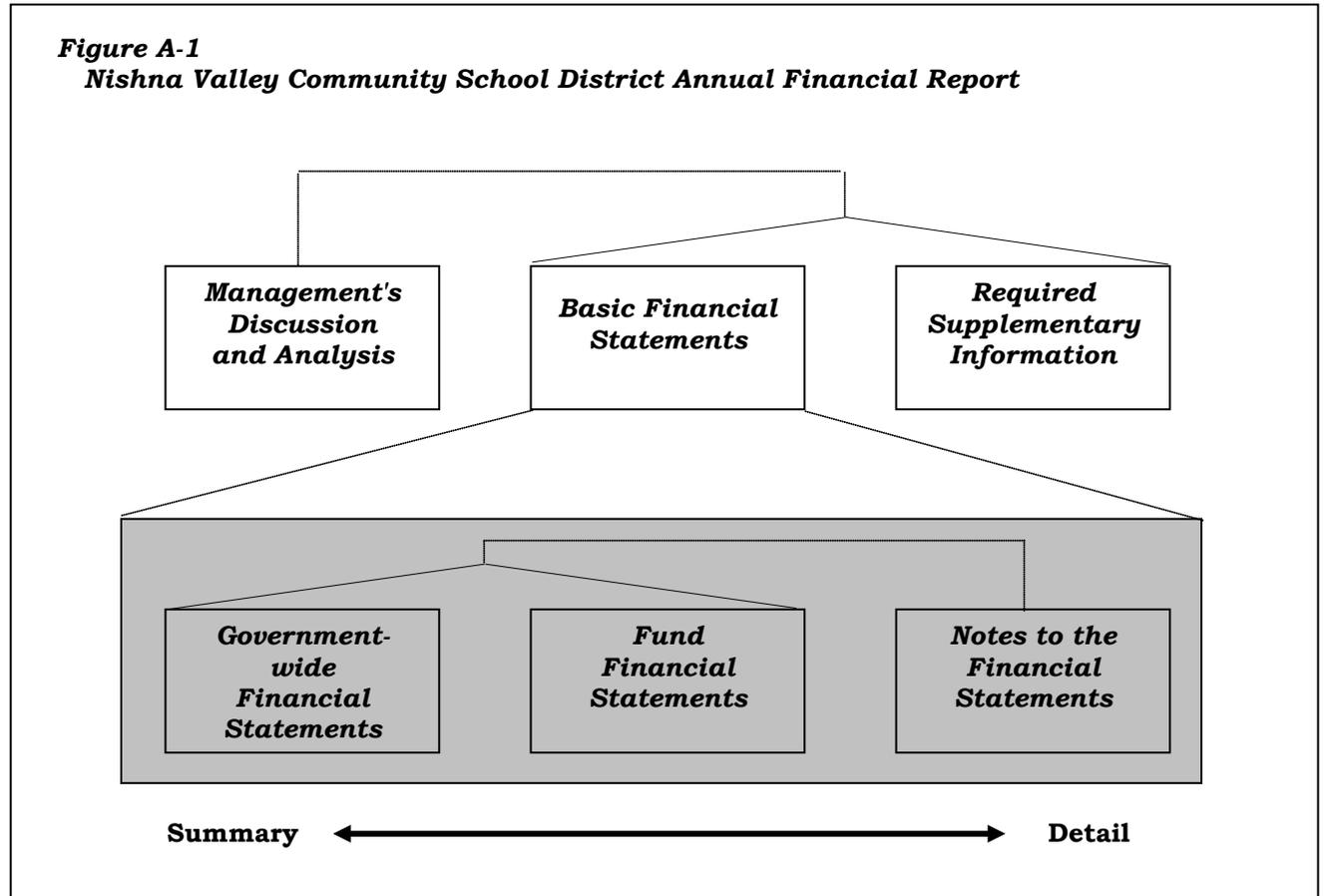


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 2,021,521	3,843,155	20,859	48,494	2,042,380	3,891,649	-47.52%
Capital assets	3,023,944	2,779,013	31,204	11,991	3,055,148	2,791,004	9.46%
Total assets	5,045,465	6,622,168	52,063	60,485	5,097,528	6,682,653	-23.72%
Long-term obligations	2,273,313	2,408,176	-	-	2,273,313	2,408,176	-5.60%
Total liabilities	2,322,657	4,887,579	-	1,629	2,322,657	4,889,208	-52.49%
Net assets:							
Invested in capital assets, net of related debt	793,944	489,449	31,204	11,991	825,148	501,440	64.56%
Restricted	698,804	710,373	-	-	698,804	710,373	-1.63%
Unrestricted	1,230,060	534,767	20,859	46,865	1,250,919	581,632	115.07%
Total net assets	\$ 2,722,808	1,734,589	52,063	58,856	2,774,871	1,793,445	54.72%

The District's combined net assets increased by \$981,426, or 54.72% over the prior year. A portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$11,569, or 1.63% over the prior year. The decrease in restricted net assets can be attributed to the decrease in the Capital Projects 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 \$669,287, or 115.07%. The main reason for the increase in unrestricted net assets is the increase in fund balance for the General Fund.

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

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,011,870	892,197	57,706	60,152	1,069,576	952,349	12.31%
Operating grants and contributions and restricted interest	324,600	506,562	76,347	82,150	400,947	588,712	-31.89%
General revenues:							
Local tax	2,053,679	2,025,875	-	-	2,053,679	2,025,875	1.37%
Statewide sales, services and use tax	191,612	127,557	-	-	191,612	127,557	50.22%
Unrestricted state grants	810,980	475,387	-	-	810,980	475,387	70.59%
Nonspecific program federal grants	70,982	-	-	-	70,982	-	100.00%
Unrestricted investment earnings	3,390	6,856	70	202	3,460	7,058	-50.98%
Other	126,123	72,155	2,376	401	128,499	72,556	77.10%
Transfers	-	9,039	-	(9,039)	-	-	0.00%
Total revenues & transfers	<u>4,593,236</u>	<u>4,115,628</u>	<u>136,499</u>	<u>133,866</u>	<u>4,729,735</u>	<u>4,249,494</u>	<u>11.30%</u>
Program expenses:							
Governmental activities:							
Instructional	2,335,364	2,418,061	-	2,899	2,335,364	2,420,960	-3.54%
Support services	962,008	972,245	11	11	962,019	972,256	-1.05%
Non-instructional programs	-	-	143,281	147,899	143,281	147,899	-3.12%
Other expenses	307,645	351,042	-	-	307,645	351,042	-12.36%
Total expenses	<u>3,605,017</u>	<u>3,741,348</u>	<u>143,292</u>	<u>150,809</u>	<u>3,748,309</u>	<u>3,892,157</u>	<u>-3.70%</u>
Change in net assets	988,219	374,280	(6,793)	(16,943)	981,426	357,337	174.65%
Net assets beginning of year	<u>1,734,589</u>	<u>1,360,309</u>	<u>58,856</u>	<u>75,799</u>	<u>1,793,445</u>	<u>1,436,108</u>	<u>24.88%</u>
Net assets end of year	<u>\$ 2,722,808</u>	<u>1,734,589</u>	<u>52,063</u>	<u>58,856</u>	<u>2,774,871</u>	<u>1,793,445</u>	<u>54.72%</u>

In fiscal 2011, local tax, statewide sales, services and use tax, unrestricted state grants, and nonspecific program federal grants account for 68.08% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.21% of the revenue from business type activities.

The District's total revenues were approximately \$4.73 million of which approximately \$4.59 million was for governmental activities and approximately \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.30% increase in revenues and a 3.70% decrease in expenses. The increase in revenues were related to unrestricted state grants which increased by \$335,593.

### Governmental Activities

Revenues for governmental activities were \$4,593,236 and expenses were \$3,605,017.

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

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 2,335,364	2,418,061	-3.42%	1,096,535	1,112,946	-1.47%
Support services	962,008	972,245	-1.05%	960,461	972,245	-1.21%
Other expenses	307,645	351,042	-12.36%	211,551	257,398	-17.81%
Totals	\$ 3,605,017	3,741,348	-3.64%	2,268,547	2,342,589	-3.16%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,011,870.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$324,600.
- The net cost of governmental activities was financed with \$2,053,679 in local tax, \$191,612 in statewide sales, services and use tax, \$810,980 in unrestricted state grants, \$70,982 in nonspecific program federal grants, \$3,390 in interest income and \$126,123 in other general revenues.

### Business type Activities

Revenues of the District's business type activities were \$136,499 and expenses were \$143,292. 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 Nishna Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,858,391, above last year's ending fund balances of \$1,258,502.

### Governmental Fund Highlights

- The District's General Fund balance increased from \$635,323 on June 30, 2010 to \$1,421,833 on June 30, 2011. The increase in the District's General Fund financial position is the product of many factors. Increases in local, state, and federal revenues led to an increase in revenues. The decrease in expenditures was due primarily to the reductions of the expenditures in the instruction expenditures. Revenues exceeded expenditures ensuring the increase in the District's financial position.
- The Capital Projects Account now includes the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund due to the reclassification by GASB Statement No. 54. The Capital Projects accounts balance overall decreased from \$516,594 in fiscal 2010 to \$300,266 in fiscal 2011. Revenues for the Capital Projects: Statewide Sales, Services and Use Tax Fund decreased by \$142,955 and expenditures increased by \$67,210.

Capital Projects: Physical Plant and Equipment Levy revenues increased by \$10,474 and expenses increased by \$68,999. Revenues were less than expenses in Statewide Sales, Services and Use Tax and Physical Plant and Equipment Levy resulting in the decrease of the fund balances.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$58,856 at June 30, 2010 to \$52,063 at June 30, 2011. This represents a decrease of approximately 11.54%.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$120,199 more than budgeted revenues, a variance of 2.61%. The most significant variance resulted from the District receiving more from federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at 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 \$3,055,148, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 9.46% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$123,517.

The original cost of the District's capital assets was \$5,164,366. Governmental funds account for \$5,034,554 with the remainder of \$129,812 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$99,385 at June 30, 2010 compared to \$116,189 at June 30, 2011. The increase is attributable to the purchase of a walk-in freezer in the School Nutrition Fund.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 17,500	17,500	-	-	17,500	17,500	0.00%
Buildings	2,743,398	2,487,508	-	-	2,743,398	2,487,508	10.29%
Improvements other than buildings	178,061	186,611	-	-	178,061	186,611	-4.58%
Machinery and equipment	84,985	87,394	31,204	11,991	116,189	99,385	16.91%
Total	\$ 3,023,944	2,779,013	31,204	11,991	3,055,148	2,791,004	9.46%

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## Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$2,273,313 in general obligation bonds, net OPEB liability, and early retirement. This represents a decrease of approximately 5.60% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation bonds	\$ 2,230,000	2,350,000	-5.11%
Early retirement	37,281	55,176	-32.43%
Net OPEB liability	6,032	3,000	101.07%
Total	<u>\$ 2,273,313</u>	<u>2,408,176</u>	<u>-5.60%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- On December 7, 2010, the Nishna Valley Community School District and the Malvern Community School District held a public meeting for consolidation of the two districts. Residents of the Nishna Valley Community School District passed a resolution to merge with Malvern Community School District on a 75% vote. Residents of the Malvern Community School District passed a resolution to merge with Nishna Valley Community school District on a 93% vote. The reorganization of the two Districts into one as East Mills Community School District will become effective on July 1, 2011.

## 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 Darla Hetzel, Business Manager, East Mills Community School District, 422 Main Street, Malvern, Iowa 51552 East Mills

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,637,257	15,486	1,652,743
Receivables:			
Property tax:			
Delinquent	28,185	-	28,185
Income surtax	114,051	-	114,051
Accounts	1,124	15	1,139
Due from other governments	224,095	-	224,095
Inventories	-	5,358	5,358
Bond discounts and issue costs	16,809	-	16,809
Capital assets, net of accumulated depreciation	3,023,944	31,204	3,055,148
<b>Total assets</b>	<b>5,045,465</b>	<b>52,063</b>	<b>5,097,528</b>
<b>Liabilities</b>			
Accounts payable	32,270	-	32,270
Interest payable	17,074	-	17,074
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	125,000	-	125,000
Early retirement payable	17,895	-	17,895
Portion due after one year:			
General obligation bonds payable	2,105,000	-	2,105,000
Early retirement payable	19,386	-	19,386
Net OPEB liability	6,032	-	6,032
<b>Total liabilities</b>	<b>2,322,657</b>	<b>-</b>	<b>2,322,657</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	793,944	31,204	825,148
Restricted for:			
Categorical funding	299,527	-	299,527
School infrastructure	243,018	-	243,018
Physical plant and equipment	57,248	-	57,248
Management levy	56,689	-	56,689
Student activities	25,164	-	25,164
Debt service	17,158	-	17,158
Unrestricted	1,230,060	20,859	1,250,919
<b>Total net assets</b>	<b>\$ 2,722,808</b>	<b>52,063</b>	<b>2,774,871</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA 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	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,726,093	882,933	213,485	(629,675)	-	(629,675)
Special	390,412	93,612	13,474	(283,326)	-	(283,326)
Other	218,859	35,325	-	(183,534)	-	(183,534)
	<u>2,335,364</u>	<u>1,011,870</u>	<u>226,959</u>	<u>(1,096,535)</u>	<u>-</u>	<u>(1,096,535)</u>
Support services:						
Student	51,116	-	-	(51,116)	-	(51,116)
Instructional staff	111,812	-	1,547	(110,265)	-	(110,265)
Administration	296,482	-	-	(296,482)	-	(296,482)
Operation and maintenance of plant	337,586	-	-	(337,586)	-	(337,586)
Transportation	165,012	-	-	(165,012)	-	(165,012)
	<u>962,008</u>	<u>-</u>	<u>1,547</u>	<u>(960,461)</u>	<u>-</u>	<u>(960,461)</u>
Other expenses:						
Long-term debt interest	108,938	-	-	(108,938)	-	(108,938)
AEA flowthrough	96,094	-	96,094	-	-	-
Depreciation(unallocated)*	102,613	-	-	(102,613)	-	(102,613)
	<u>307,645</u>	<u>-</u>	<u>96,094</u>	<u>(211,551)</u>	<u>-</u>	<u>(211,551)</u>
Total governmental activities	3,605,017	1,011,870	324,600	(2,268,547)	-	(2,268,547)
Business type activities:						
Support services:						
Administration	11	-	-	-	(11)	(11)
Non-instructional programs:						
Food service operations	143,281	57,706	76,347	-	(9,228)	(9,228)
Total business type activities	<u>143,292</u>	<u>57,706</u>	<u>76,347</u>	<u>-</u>	<u>(9,239)</u>	<u>(9,239)</u>
Total	\$ <u>3,748,309</u>	<u>1,069,576</u>	<u>400,947</u>	<u>(2,268,547)</u>	<u>(9,239)</u>	<u>(2,277,786)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,729,761	-	1,729,761
Debt service				170,914	-	170,914
Capital outlay				37,741	-	37,741
Income surtax				115,263	-	115,263
Statewide sales, services and use tax				191,612	-	191,612
Unrestricted state grants				810,980	-	810,980
Nonspecific program federal grants				70,982	-	70,982
Unrestricted investment earnings				3,390	70	3,460
Other general revenues				126,123	2,376	128,499
Total general revenues				<u>3,256,766</u>	<u>2,446</u>	<u>3,259,212</u>
Changes in net assets				988,219	(6,793)	981,426
Net assets beginning of year				1,734,589	58,856	1,793,445
Net assets end of year				<u>\$ 2,722,808</u>	<u>52,063</u>	<u>2,774,871</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,374,077	131,635	131,545	1,637,257
Receivables:				
Property tax:				
Delinquent	23,844	549	3,792	28,185
Income surtax	114,051	-	-	114,051
Accounts	145	-	979	1,124
Due from other governments	56,013	168,082	-	224,095
<b>Total assets</b>	<b>\$ 1,568,130</b>	<b>300,266</b>	<b>136,316</b>	<b>2,004,712</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 32,246	-	24	32,270
Deferred revenue:				
Income surtax	114,051	-	-	114,051
<b>Total liabilities</b>	<b>146,297</b>	<b>-</b>	<b>24</b>	<b>146,321</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Categorical funding	299,527	-	-	299,527
School infrastructure	-	243,018	-	243,018
Physical plant and equipment	-	57,248	-	57,248
Management levy purposes	-	-	93,970	93,970
Student activities	-	-	25,422	25,422
Debt service	-	-	17,158	17,158
<b>Unassigned:</b>				
General fund	1,122,306	-	-	1,122,306
Student activities	-	-	(258)	(258)
<b>Total fund balances</b>	<b>1,421,833</b>	<b>300,266</b>	<b>136,292</b>	<b>1,858,391</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,568,130</b>	<b>300,266</b>	<b>136,316</b>	<b>2,004,712</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	1,858,391
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,023,944
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		114,051
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		16,809
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.		(17,074)
Long-term liabilities, including general obligation bonds 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>(2,273,313)</u>
 <b>Net assets of governmental activities(page 18)</b>	 \$	 <u><u>2,722,808</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,746,267	229,352	260,793	2,236,412
Tuition	971,802	-	-	971,802
Other	110,338	18,489	40,966	169,793
Intermediate sources	5,800	-	-	5,800
State sources	990,370	-	-	990,370
Federal sources	210,180	-	-	210,180
Total revenues	<u>4,034,757</u>	<u>247,841</u>	<u>301,759</u>	<u>4,584,357</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,691,790	-	37,106	1,728,896
Special	390,019	-	-	390,019
Other	183,544	-	35,088	218,632
	<u>2,265,353</u>	<u>-</u>	<u>72,194</u>	<u>2,337,547</u>
Support services:				
Student	51,022	-	-	51,022
Instructional staff	111,812	-	-	111,812
Administration	303,778	-	8,926	312,704
Operation and maintenance of plant	265,908	-	15,081	280,989
Transportation	155,215	-	7,256	162,471
	<u>887,735</u>	<u>-</u>	<u>31,263</u>	<u>918,998</u>
Other expenditures:				
Facilities acquisitions	-	404,169	-	404,169
Long-term debt:				
Principal	-	-	120,000	120,000
Interest and fiscal charges	-	-	108,595	108,595
AEA flowthrough	96,094	-	-	96,094
	<u>96,094</u>	<u>404,169</u>	<u>228,595</u>	<u>728,858</u>
Total expenditures	<u>3,249,182</u>	<u>404,169</u>	<u>332,052</u>	<u>3,985,403</u>
Excess(Deficiency) of revenues over(under) expenditures	785,575	(156,328)	(30,293)	598,954
Other financing sources(uses):				
Sale of equipment	935	-	-	935
Transfers in	-	-	60,000	60,000
Transfers out	-	(60,000)	-	(60,000)
Total other financing sources(uses)	<u>935</u>	<u>(60,000)</u>	<u>60,000</u>	<u>935</u>
Net change in fund balances	786,510	(216,328)	29,707	599,889
Fund balance beginning of year, as restated	<u>635,323</u>	<u>516,594</u>	<u>106,585</u>	<u>1,258,502</u>
Fund balance end of year	<u>\$ 1,421,833</u>	<u>300,266</u>	<u>136,292</u>	<u>1,858,391</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 599,889

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

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

Expenditures for capital assets	\$ 364,216	
Depreciation expense	(119,285)	244,931

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

Repaid		120,000
--------	--	---------

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

950

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

8,879

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

(1,293)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Early retirement	17,895	
Other postemployment benefits	(3,032)	14,863

Changes in net assets of governmental activities(page 19) \$ 988,219

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2010

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 15,486
Accounts receivable	15
Inventories	5,358
Capital assets, net of accumulated depreciation	<u>31,204</u>
Total assets	<u>52,063</u>
Liabilities	<u>-</u>
Net assets	
Invested in capital assets	31,204
Unrestricted	<u>20,859</u>
Total net assets	<u>\$ 52,063</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 57,706
Other	2,376
Total operating revenues:	60,082
Operating expenses:	
Support services:	
Administration:	
Other	11
Non-instructional programs:	
Food service operations:	
Salaries	65,008
Benefits	9,128
Services	1,108
Supplies	63,800
Other	5
Depreciation	4,232
	143,281
Total operating expenses	143,292
Operating loss	(83,210)
Non-operating revenues:	
State sources	1,198
Federal sources	75,149
Interest on investments	70
Total non-operating revenues	76,417
Changes in net assets	(6,793)
Net assets beginning of year	58,856
Net assets end of year	\$ 52,063

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 56,348
Cash received from miscellaneous	2,376
Cash payments to employees for services	(74,422)
Cash payments to suppliers for goods or services	(59,305)
Net cash used in operating activities	(75,003)
Cash flows from non-capital financing activities:	
State grants received	1,198
Federal grants received	67,970
Net cash provided by non-capital financing activities	69,168
Cash flows from capital and related financing activities:	
Purchase of capital assets	(23,445)
Net cash used in capital and related financing activities	(23,445)
Cash flows from investing activities:	
Interest on investments	70
Net decrease in cash and cash equivalents	(29,210)
Cash and cash equivalents at beginning of year	44,696
Cash and cash equivalents at end of year	\$ 15,486
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (83,210)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,179
Depreciation	4,232
Increase in inventories	(1,560)
Increase in accounts receivable	(15)
Decrease in salaries and benefits payable	(286)
Decrease in unearned revenue	(1,343)
Net cash used in operating activities	\$ (75,003)

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

During the year ended June 30, 2011, the District received Federal commodities valued at \$7,179.

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
JUNE 30, 2011

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 1,654
Liabilities	
Due to other groups	\$ 1,654

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, intangibles, machinery, 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	\$ 0
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Years of Useful Life
Buildings	25-50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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

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

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

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

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

Restricted - 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. During the year ended June 30, 2011, expenditures in the other expenditures program area exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

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

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$300,704 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 60,000</u>

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

**(4) Iowa School Cash Anticipation Program (ISCAP)**

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

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. During the year ended June 30, 2011, the District had no borrowings or repayments.

(5) **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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 17,500	-	-	17,500
Total capital assets not being depreciated	17,500	-	-	17,500
Capital assets being depreciated:				
Buildings	3,687,547	347,353	-	4,034,900
Improvements other than buildings	468,071	2,600	-	470,671
Machinery and equipment	531,720	14,263	34,500	511,483
Total capital assets being depreciated	4,687,338	364,216	34,500	5,017,054
Less accumulated depreciation for:				
Buildings	1,200,038	91,464	-	1,291,502
Improvements other than buildings	281,461	11,149	-	292,610
Machinery and equipment	444,326	16,672	34,500	426,498
Total accumulated depreciation	1,925,825	119,285	34,500	2,010,610
Total capital assets being depreciated, net	2,761,513	244,931	-	3,006,444
Governmental activities capital assets, net	\$ 2,779,013	244,931	-	3,023,944
<b>Business type activities:</b>				
Machinery and equipment	\$ 110,329	23,445	3,962	129,812
Less accumulated depreciation	98,338	4,232	3,962	98,608
Business type activities capital assets, net	\$ 11,991	19,213	-	31,204

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 1,625
Support services:	
Administration	1,368
Operation and maintenance of plant	5,587
Transportation	8,092
	<u>16,672</u>
Unallocated depreciation	<u>102,613</u>
Total governmental activities depreciation expense	<u>\$ 119,285</u>
Business type activities:	
Food services	<u>\$ 4,232</u>

**(6) 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	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 2,350,000	-	120,000	2,230,000	125,000
Early retirement	55,176	-	17,895	37,281	17,895
Net OPEB liability	3,000	3,032	-	6,032	-
	<u>\$ 2,408,176</u>	<u>3,032</u>	<u>137,895</u>	<u>2,273,313</u>	<u>142,895</u>

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonds indebtedness are as follows:

Year Ending June 30,	Bond issue dated May 1, 2005			
	Interest Rates	Principal	Interest	Total
2012	4.75	% \$ 125,000	102,445	227,445
2013	4.75	130,000	96,507	226,507
2014	4.75	135,000	90,333	225,333
2015	4.50	140,000	83,920	223,920
2016	4.20	140,000	77,620	217,620
2017-2021	4.30-4.60	795,000	291,393	1,086,393
2022-2025	4.65-4.75	765,000	92,683	857,683
Total		<u>\$ 2,230,000</u>	<u>834,901</u>	<u>3,064,901</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and completed a total of 10 years of service as a full-time licensed employee to the District. Employees complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2011, totaled \$17,895.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.50% of their annual covered 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 \$128,517, \$115,416, and \$104,311 respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 32 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, 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 25 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 3,000
Interest on net OPEB obligation	135
Adjustment to annual required contribution	(103)
Annual OPEB cost	<u>3,032</u>
Contributions made	<u>0</u>
Increase in net OPEB obligation	3,032
Net OPEB obligation beginning of year	<u>3,000</u>
Net OPEB obligation end of year	<u><u>\$ 6,032</u></u>

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

For the year ended June 30, 2011, the District did not make any contributions to the plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 3,000	0.0%	\$ 3,000
2011	3,032	0.0%	6,032

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 \$29,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,000. The covered payroll (annual payroll of active employees covered by the plan) was \$898,239 and the ratio of the UAAL to covered payroll was 3.23%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the projected 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 is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the Nishna Valley Community School District.

Projected claim costs of the medical plan are \$1,272 per month for retirees who have family coverage and \$509 per month for retirees who have single coverage. The UAAL is being amortized as a level percentage of the projected payroll expense on an open basis over 25 years.

**(9) Risk Management**

The District is a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides dental, health, life insurance and long term disability coverage for employees of the District. The District's contributions to ISEBA for the year ended June 30, 2011 totaled \$159,623.

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$96,094 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.

**(11) Categorical Funding**

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

Program	Amount
Weighted at-risk	\$ 14,139
Dropout prevention	159,873
Four-year-old preschool	86,024
Early childhood programs	7,083
Model core curriculum	6,244
Professional development	26,164
Total	\$ 299,527

**(12) Reorganization of Districts**

On December 7, 2010, the Nishna Valley Community School District and the Malvern Community School District held a public meeting for consolidation of the two districts. Residents of the Nishna Valley Community School District passed a resolution to merge with Malvern Community School District on a 75% vote. Residents of the Malvern Community School District passed a resolution to merge with Nishna Valley Community School District on a 93% vote. The reorganization of the two Districts into one as East Mills Community School District became effective on July 1, 2011.

**(13) Deficit Fund Balance**

At June 30, 2011, the District's Student Activity Fund had one account with a negative unassigned balance of \$258.

**(14) Budget Overexpenditure**

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the other expenditures program function exceeded the certified budget.

**(15) Accounting Change/Restatement**

Governmental Account 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	\$ 421,963	94,631
Change in fund type classification per implementation of GASB Statement No. 54	94,631	(94,631)
Balances July 1, 2010, as restated	<u>\$ 516,594</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,378,007	60,152	3,438,159	3,341,656	3,341,656	96,503
Intermediate sources	5,800	0	5,800	2,500	2,500	3,300
State sources	990,370	1,198	991,568	1,105,501	1,105,501	(113,933)
Federal sources	210,180	75,149	285,329	151,000	151,000	134,329
Total revenues	<u>4,584,357</u>	<u>136,499</u>	<u>4,720,856</u>	<u>4,600,657</u>	<u>4,600,657</u>	<u>120,199</u>
Expenditures/Expenses:						
Instruction	2,337,547	0	2,337,547	3,619,470	3,619,470	1,281,923
Support services	918,998	11	919,009	1,857,499	1,857,499	938,490
Non-instructional programs	0	143,281	143,281	245,959	245,959	102,678
Other expenditures	728,858	0	728,858	350,734	350,734	(378,124)
Total expenditures/expenses	<u>3,985,403</u>	<u>143,292</u>	<u>4,128,695</u>	<u>6,073,662</u>	<u>6,073,662</u>	<u>1,944,967</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	598,954	(6,793)	592,161	(1,473,005)	(1,473,005)	2,065,166
Other financing sources(uses), net	935	0	935	(10,990)	(10,990)	11,925
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	599,889	(6,793)	593,096	(1,483,995)	(1,483,995)	2,077,091
Balance beginning of year	1,258,502	58,856	1,317,358	1,483,995	1,483,995	(166,637)
Balance end of year	<u>\$ 1,858,391</u>	<u>52,063</u>	<u>1,910,454</u>	<u>0</u>	<u>0</u>	<u>1,910,454</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA 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 a GAAP basis.

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

During the year ended June 30, 2011, expenditures in the other expenditures function exceed the amount budgeted.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 29,000	29,000	0.0%	\$ 881,070	3.29%
2011	July 1, 2009	-	29,000	29,000	0.0%	898,239	3.23%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds			Debt Service	Total Other Nonmajor Governmental Funds
	Management Levy	Student Activity	Total Special Revenue Funds		
Assets					
Cash and pooled investments	\$ 92,687	24,185	116,872	14,673	131,545
Receivables:					
Property tax:					
Delinquent	1,307	-	1,307	2,485	3,792
Accounts	-	979	979	-	979
Total assets	\$ 93,994	25,164	119,158	17,158	136,316
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 24	-	24	-	24
Fund Balances:					
Restricted for:					
Management levy purposes	93,970	-	93,970	-	93,970
Student activities	-	25,164	25,164	-	25,164
Debt services	-	-	-	17,158	17,158
Unassigned	-	(258)	(258)	-	(258)
Total fund balances	93,970	25,164	119,134	17,158	136,292
Total liabilities and fund balances	\$ 93,994	25,164	119,158	17,158	136,316

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds			Debt Service	Total Other Nonmajor Governmental Funds
	Management Levy	Student Activity	Total Special Revenue Funds		
Revenues:					
Local sources:					
Local tax	\$ 89,878	-	89,878	170,915	260,793
Other	7,764	33,104	40,868	98	40,966
Total revenues	97,642	33,104	130,746	171,013	301,759
Expenditures:					
Current:					
Instruction:					
Regular	37,106	-	37,106	-	37,106
Other	-	35,088	35,088	-	35,088
Support services:					
Administration	8,926	-	8,926	-	8,926
Operation and maintenance of plant	15,081	-	15,081	-	15,081
Transportation	7,256	-	7,256	-	7,256
Other expenditures:					
Long-term debt:					
Principal	-	-	-	120,000	120,000
Interest and fiscal charges	-	-	-	108,595	108,595
Total expenditures	68,369	35,088	103,457	228,595	332,052
Excess(Deficiency) of revenues over(under) expenditures	29,273	(1,984)	27,289	(57,582)	(30,293)
Other financing sources:					
Transfer in	-	-	-	60,000	60,000
Net change in fund balance	29,273	(1,984)	27,289	2,418	29,707
Fund balance beginning of year, as restated	64,697	27,148	91,845	14,740	106,585
Fund balance end of year	\$ 93,970	25,164	119,134	17,158	136,292

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 74,936	56,699	131,635
Receivables:			
Property tax:			
Delinquent	-	549	549
Due from other governments	168,082	-	168,082
Total assets	\$ 243,018	57,248	300,266
Liabilities and Fund Balances			
Liabilities	\$ -	-	-
Fund Balances:			
Restricted for:			
School infrastructure	243,018	-	243,018
Physical plant and equipment	-	57,248	57,248
Total fund balances	243,018	57,248	300,266
Total liabilities and fund balances	\$ 243,018	57,248	300,266

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NISHNA 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	\$ 191,612	37,740	229,352
Other	306	18,183	18,489
Total revenues	<u>191,918</u>	<u>55,923</u>	<u>247,841</u>
Expenditures:			
Other expenditures:			
Facilities acquisition	310,863	93,306	404,169
Deficiency of revenues under expenditures	(118,945)	(37,383)	(156,328)
Other financing uses:			
Transfer out	(60,000)	-	(60,000)
Net change in fund balance	(178,945)	(37,383)	(216,328)
Fund balance beginning of year, as restated	421,963	94,631	516,594
Fund balance end of year	<u>\$ 243,018</u>	<u>57,248</u>	<u>300,266</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Change account	\$ 53	0	0	(53)	0
Drama - JH	2,092	1,604	1,035	0	2,661
Instrumental music	427	1,537	1,964	0	0
Annual	299	1,288	1,845	0	(258)
Cheerleaders - HS	999	0	428	0	571
Secondary fundraiser	5,663	12,418	11,687	68	6,462
Library club	68	0	0	(68)	0
Class of 2014	721	1,026	1,747	0	0
Class of 2015	74	0	0	0	74
5-6 loop fund	274	0	1	0	273
Concessions	2,629	7,240	7,965	53	1,957
Athletics	4,881	4,978	5,411	0	4,448
Student council	764	743	596	0	911
Elementary fundraiser	2,008	777	777	0	2,008
Boys basketball	1,723	0	0	(400)	1,323
Football lights	240	0	0	(240)	0
Boys football	839	0	50	240	1,029
Boys track	180	347	790	400	137
Wrestling	158	0	0	0	158
Girls basketball	2,182	0	0	0	2,182
Girls volleyball	95	799	792	0	102
Girls track	779	347	0	0	1,126
<b>Total</b>	<b>\$ 27,148</b>	<b>33,104</b>	<b>35,088</b>	<b>0</b>	<b>25,164</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 1,735	228	309	1,654
<b>Liabilities</b>				
Due to other groups	\$ 1,735	228	309	1,654

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 2,236,412	2,161,534	1,991,749	1,703,221	1,642,601	1,502,049	1,384,584	1,467,845
Tuition	971,802	859,743	911,287	224,802	153,988	223,155	199,949	150,922
Other	169,793	111,464	116,767	103,643	173,316	200,292	142,756	143,378
Intermediate sources	5,800	18,446	2,500	-	-	-	-	-
State sources	990,370	767,399	1,132,315	1,206,004	890,380	1,048,515	896,967	717,555
Federal sources	210,180	196,104	134,187	88,442	152,043	123,640	103,469	106,562
<b>Total</b>	<b>\$ 4,584,357</b>	<b>4,114,690</b>	<b>4,288,805</b>	<b>3,326,112</b>	<b>3,012,328</b>	<b>3,097,651</b>	<b>2,727,725</b>	<b>2,586,262</b>
Expenditures:								
Instruction:								
Regular	\$ 1,728,896	1,535,903	1,463,683	1,432,026	1,199,188	1,227,146	1,165,363	1,078,537
Special	390,019	543,336	343,421	456,086	424,280	308,410	445,693	398,733
Other	218,632	336,720	685,545	245,912	368,672	372,237	256,587	254,211
Support services:								
Student	51,022	45,235	47,992	55,013	81,846	15,730	13,392	17,465
Instructional staff	111,812	122,101	42,520	53,329	45,397	22,545	45,251	42,566
Administration	312,704	328,536	299,053	390,532	377,710	344,598	345,628	343,749
Operation and maintenance of plant	280,989	278,303	284,668	300,845	305,505	273,365	227,501	214,761
Transportation	162,471	140,977	148,760	148,128	132,519	131,478	135,548	133,658
Non-instructional	-	-	-	-	-	-	-	3,348
Other expenditures:								
Facilities acquisitions	404,169	58,150	2,330	100,975	225,719	2,562,434	142,969	55,382
Long Term Debt:								
Principal	120,000	115,000	110,000	105,000	105,000	100,000	-	-
Interest and fiscal charges	108,595	113,608	119,232	124,220	129,007	133,958	-	-
AEA flow-through	96,094	93,644	88,800	85,108	82,672	81,036	80,813	80,500
<b>Total</b>	<b>\$ 3,985,403</b>	<b>3,711,513</b>	<b>3,636,004</b>	<b>3,497,174</b>	<b>3,477,515</b>	<b>5,572,937</b>	<b>2,858,745</b>	<b>2,622,910</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nishna Valley Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 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 Nishna Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Nishna Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nishna Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-11 and I-C-11 to be significant deficiencies.

Compliance and Other Matters

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

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- I-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, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

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

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

Conclusion - Response accepted.

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

Recommendation - To ensure compliance with the Department of Labor minimum wage and overtime requirements, the District should keep track of the hours worked for non-certified staff coaches.

Response - The Business Manager will develop a form and establish a procedure to collect this information.

Conclusion - Response accepted.

- I-C-11 Grant Coding - We noted during our audit that grant expenditures were mostly reclassified at year end with general journal entries. This makes it difficult to track and audit expenditures.

Recommendation - A better practice would be to code employees to the appropriate grant at the beginning of the year or code the paid bill to the appropriate expenditure account when it is paid.

Response - The Superintendent and Business Manager are periodically reviewing the coding of expenditures to specific grants/projects.

Conclusion - Response accepted.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 exceeded the amounts budgeted in the other expenditures program functions.

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

Response - The superintendent and business manager will monitor expenses and amend the budget if necessary.

Conclusion - Response accepted.

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

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

II-D-11 Business Transactions - No business transactions between the District and District officials were noted.

II-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.

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

II-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa.

II-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.

II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 Financial Condition - We noted during our audit that the District had one Student Activity Fund account with a deficit balance of \$258.

Recommendation - The District should continue to monitor all fund balances and work to eliminate all negative balances.

Response - We will continue to monitor all fund balances and correct any deficiencies.

Conclusion - Response accepted.

II-M-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning balance		\$	421,963
Revenues:			
Sales tax revenues	\$	191,612	
Other local revenues		306	191,918
			<u>613,881</u>
Expenditures/ transfers out:			
School infrastructure construction	\$	291,470	
Other		19,393	
Transfers to other funds:			
Debt service fund		60,000	370,863
			<u>370,863</u>
Ending balance		\$	<u>243,018</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.52394	\$ 60,000

II-O-11 Physical Plant and Equipment Levy Fund(PPEL) - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District purchased 16 chairs for a total of \$1,309.85, which is under the \$500 per unit of equipment restriction.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid noncompliance. The District should make a corrective transfer from the General Fund to the PPEL Fund for \$1,309.85.

Response - We will review Chapter 298.3 of the Code of Iowa and monitor expenditures accordingly. The corrective transfer was made.

Conclusion - Response accepted.