

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Nodaway Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Clint Hight	President	2013
Jane Ernst	Vice President	2011
Ron Baudler	Board Member	2013
Roger Jensen	Board Member	2013
Amy DeVault	Board Member	2011
(After September 2011 Election)		
Clint Hight	President	2013
Roger Jensen	Vice President	2013
Ron Baudler	Board Member	2013
Danelle Cooney	Board Member	2015
Amy DeVault	Board Member	2015
School Officials		
Casey Berlau	Superintendent	2012
Sharon Cox	District Secretary/ Business Manager	2012
Sandra Stewart	Board Treasurer	2012
Rick Engel	Attorney	2012
Ahlers & Cooney	Attorney	2012

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the Business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District, Greenfield, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2013 on our consideration of Nodaway Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic

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financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nodaway Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 6, 2013

Nodaway Valley Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nodaway Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,925,322 in fiscal 2011 to \$7,559,150 in fiscal 2012, while General Fund expenditures decreased from \$7,095,724 in fiscal 2011 to \$6,897,705 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$36,210 in fiscal 2011 to \$697,655 in fiscal 2012, which is a 1,826.69% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in federal sources in fiscal 2012. The decrease in expenditures was due primarily to a decrease in the instruction functional area.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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.

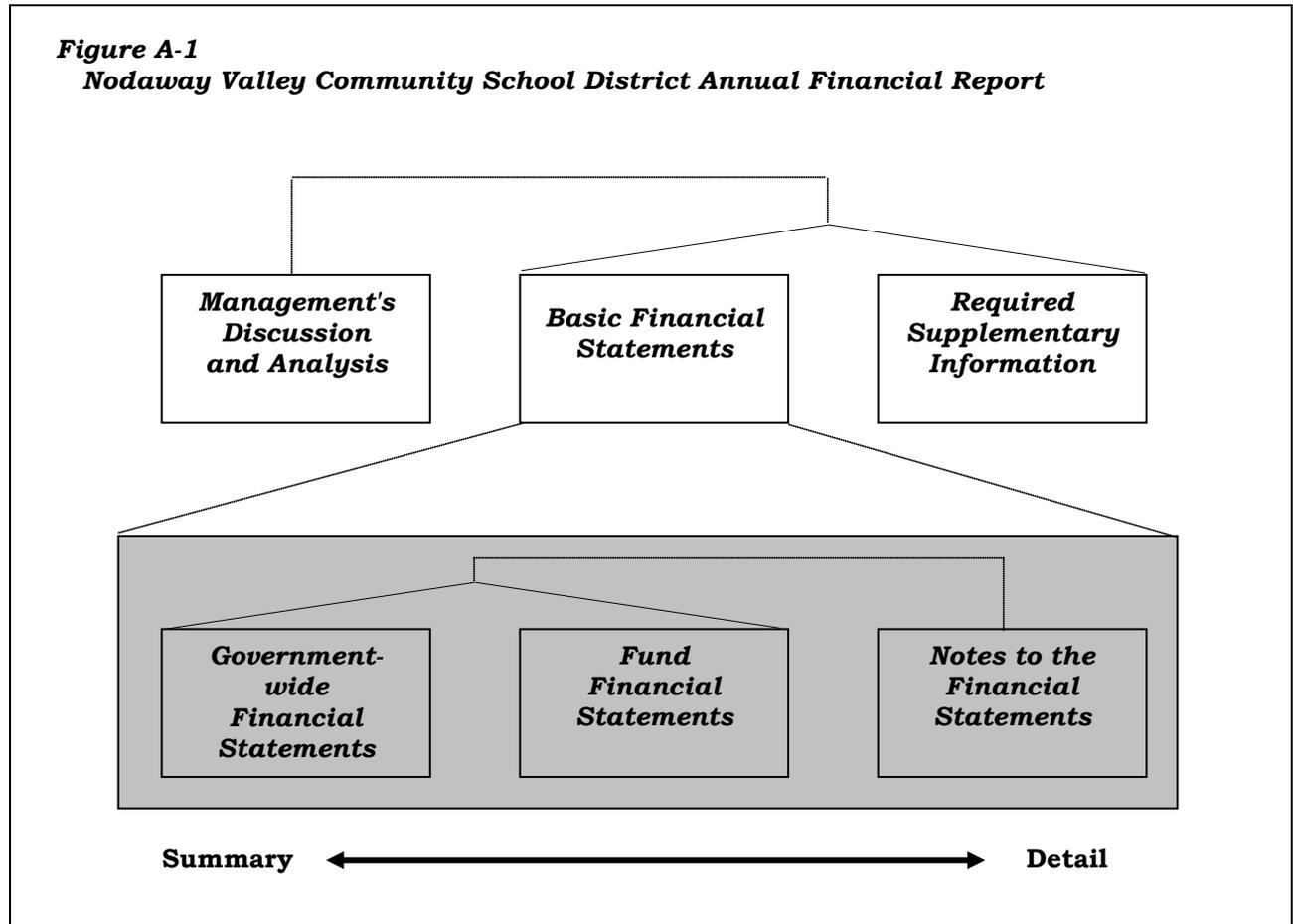


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and day care
Required financial statements	Statement of net assets	Balance sheet	Statement of Net Assets
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses and changes in fund net assets Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2012 compared to June 30, 2011.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 6,235,904	5,853,717	90,052	97,919	6,325,956	5,951,636	6.29%
Capital assets	7,147,132	7,335,448	24,851	17,492	7,171,983	7,352,940	-2.46%
Total assets	13,383,036	13,189,165	114,903	115,411	13,497,939	13,304,576	1.45%
Long-term obligations	2,492,984	2,968,772	1,038	670	2,494,022	2,969,442	-16.01%
Other liabilities	4,258,047	4,298,582	6,998	7,779	4,265,045	4,306,361	-0.96%
Total liabilities	6,751,031	7,267,354	8,036	8,449	6,759,067	7,275,803	-7.10%
Net assets:							
Invested in capital assets,							
net of related debt	5,072,132	5,219,806	24,851	17,492	5,096,983	5,237,298	-2.68%
Restricted	1,570,010	984,849	-	-	1,570,010	984,849	59.42%
Unrestricted	(10,137)	(282,844)	82,016	89,470	71,879	(193,374)	137.17%
Total net assets	\$ 6,632,005	5,921,811	106,867	106,962	6,738,872	6,028,773	11.78%

The District's combined net assets increased by 11.78%, or \$710,099 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 59.42% or \$585,161 compared to the prior year. The increase in restricted net assets is primarily the result of the increase in the Student Activity Fund and Capital Projects: School Infrastructure fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately 137.17% or \$265,253. The increase in unrestricted net assets is primarily the result of the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Figure A-4 Changes in Net Assets						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 460,077	409,817	175,986	188,954	636,063	598,771	6.23%
Operating grants and contributions and restricted interest	648,593	805,589	208,782	194,310	857,375	999,899	-14.25%
General revenues:							
Property tax	3,219,254	3,103,298	-	-	3,219,254	3,103,298	3.74%
Income surtax	243,976	190,040	-	-	243,976	190,040	28.38%
Statewide sales, service and use tax	514,266	401,388	-	-	514,266	401,388	28.12%
Unrestricted state grants	3,295,625	3,126,892	-	-	3,295,625	3,126,892	5.40%
Nonspecific federal funding	121,358	305,978	-	-	121,358	305,978	-60.34%
Unrestricted investment earnings	6,908	8,773	3,865	3,623	10,773	12,396	-13.09%
Other	97,975	123,979	-	2,392	97,975	126,371	-22.47%
Transfers	1,400	-	(1,400)	-	-	-	100.00%
Total revenues	<u>8,609,432</u>	<u>8,475,754</u>	<u>387,233</u>	<u>389,279</u>	<u>8,996,665</u>	<u>8,865,033</u>	<u>1.48%</u>
Program expenses:							
Governmental activities:							
Instruction	4,805,861	5,078,737	-	-	4,805,861	5,078,737	-5.37%
Support services	2,482,126	2,097,051	2,911	1,840	2,485,037	2,098,891	18.40%
Non-instructional programs	12,842	4,133	384,417	351,524	397,259	355,657	11.70%
Other expenses	598,409	487,532	-	-	598,409	487,532	22.74%
Total expenses	<u>7,899,238</u>	<u>7,667,453</u>	<u>387,328</u>	<u>353,364</u>	<u>8,286,566</u>	<u>8,020,817</u>	<u>3.31%</u>
Change in net assets	710,194	808,301	(95)	35,915	710,099	844,216	15.89%
Net assets beginning of year	<u>5,921,811</u>	<u>5,113,510</u>	<u>106,962</u>	<u>71,047</u>	<u>6,028,773</u>	<u>5,184,557</u>	<u>-16.28%</u>
Net assets end of year	<u>\$ 6,632,005</u>	<u>5,921,811</u>	<u>106,867</u>	<u>106,962</u>	<u>6,738,872</u>	<u>6,028,773</u>	<u>11.78%</u>

In fiscal 2012, local tax (property tax, income surtax and statewide sales and services tax), unrestricted state grants and nonspecific program federal grants account for 85.89% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.36% of the revenue from business type activities.

The District's total revenues were approximately \$9.00 million of which approximately \$8.61 million was for governmental activities and approximately \$0.39 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.48% in revenues and a 3.32% increase in expenses. The increases of \$115,956 in property tax and the increase of \$168,733 in unrestricted state grants were used to fund the increase in expenditures.

Governmental Activities

Revenues for governmental activities were \$8,609,432 and expenses were \$7,899,238.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,805,861	5,078,737	-5.37%	3,979,407	4,245,010	-6.26%
Support services	2,482,126	2,097,051	18.36%	2,450,927	2,003,756	22.32%
Non-instructional	12,842	4,133	210.72%	12,842	4,133	210.72%
Other expenses	598,409	487,532	22.74%	347,392	199,148	74.44%
Totals	\$ 7,899,238	7,667,453	3.02%	6,790,568	6,452,047	5.25%

For the year ended June 30, 2012

- The cost financed by users of the District's programs was \$460,077.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$648,593.
- The net cost of governmental activities was financed with \$3,219,254 in property tax, \$243,976 in income surtax, \$514,266 in statewide sales, services and use tax, \$3,295,625 in unrestricted state grants, \$121,358 in nonspecific federal grants, \$6,908 in interest income and \$99,375 in other general revenues, net of transfers.

Business-Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$387,233, representing a 0.53% decrease over the prior year, while expenses totaled \$387,328, a 9.61% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,773,421, above last year's ending fund balances of \$1,358,620. The primary reason for the increase in combined fund balances in fiscal 2012 is due to increased fund balance in the General Fund.

Governmental Fund Highlights

- The District's General Fund balance increased from \$36,210 on June 30, 2011 to a positive \$697,655 on June 30, 2012. The fluctuation in the District's General Fund financial position is the product of many factors. A decrease in federal revenues led to a decrease in revenues. The decrease in expenditures was due to the decrease of the expenditures in the instruction functional area. Revenues still outpaced expenditures ensuring the increase in the District's financial position.
- The Capital Projects accounts balance overall decreased from \$1,077,632 in fiscal 2011 to \$921,920 in fiscal 2012. Revenues for the Capital Projects accounts increased by \$117,988 or 24.63% and expenditures increased by \$144,000 or 23.65%.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$106,962 at June 30, 2011 to \$106,867 at June 30, 2012, representing a decrease of 0.09%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Nodaway Valley Community School District amended its budget one time to move \$195,605 from support services function to non-instructional programs function to reflect additional expenditures associated with increased costs of repairs.

The District's revenues were \$156,576 more than budgeted revenues, a variance of 1.77%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$7,171,983, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$383,487.

The original cost of the District's capital assets was \$11,974,800. Governmental funds account for \$11,786,214, with the remainder of \$188,586 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The amount reported for the District's construction in progress at June 30, 2011 was \$1,777,930 as compared to \$0 for June 30, 2012. The decrease is attributable to completing construction for the District's energy improvement projects.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 38,401	38,401	-	-	38,401	38,401	0.00%
Construction in progress	-	1,777,930	-	-	-	1,777,930	-100.00%
Buildings	5,701,574	4,148,619	-	-	5,701,574	4,148,619	37.43%
Land improvements	724,132	586,312	-	-	724,132	586,312	23.51%
Machinery and equipment	683,025	784,186	24,851	17,492	707,876	801,678	-11.70%
Total	\$ 7,147,132	7,335,448	24,851	17,492	7,171,983	7,352,940	-2.46%

Long-Term Debt

At June 30, 2012, the District had \$2,494,022 in general obligation and other long-term debt outstanding. This represents a decrease of 16.01% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$745,000 at June 30, 2012.

The District had total outstanding Revenue Bonds payable of \$1,330,000 at June 30, 2012.

The District had a computer lease payable of \$289,527 at June 30, 2012.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$43,784 at June 30, 2012.

The District had net OPEB liability payable of \$85,711 at June 30, 2012; \$84,673 is attributable to governmental activities and \$1,038 is attributable to business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 745,000	875,000	-	-	745,000	875,000	-14.86%
Revenue bonds	1,330,000	1,620,000	-	-	1,330,000	1,620,000	-17.90%
Computer loan	289,527	380,000	-	-	289,527	380,000	-23.81%
Scoreboard lease	-	2,755	-	-	-	2,755	-100.00%
Early retirement	43,784	36,428	-	-	43,784	36,428	20.19%
Net OPEB liability	84,673	54,589	1,038	670	85,711	55,259	55.11%
Total	\$ 2,492,984	2,968,772	1,038	670	2,494,022	2,969,442	-16.01%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 2,387,760	79,943	2,467,703
Receivables:			
Property tax:			
Delinquent	57,576	-	57,576
Succeeding year	3,346,508	-	3,346,508
Income surtax	232,341	-	232,341
Accounts	1,264	106	1,370
Due from other governments	210,455	-	210,455
Inventories	-	10,003	10,003
Capital assets, net of accumulated depreciation	7,147,132	24,851	7,171,983
Total assets	13,383,036	114,903	13,497,939
Liabilities			
Accounts payable	188,354	1,227	189,581
Salaries and benefits payable	692,316	14	692,330
Interest payable	30,869	-	30,869
Deferred revenue:			
Succeeding year property tax	3,346,508	-	3,346,508
Unearned revenue	-	5,757	5,757
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	130,000	-	130,000
Revenue bonds payable	295,000	-	295,000
Computer loan payable	93,181	-	93,181
Early retirement payable	21,892	-	21,892
Portion due after one year:			
General obligation bonds payable	615,000	-	615,000
Revenue bonds payable	1,035,000	-	1,035,000
Computer loan payable	196,346	-	196,346
Early retirement payable	21,892	-	21,892
Net OPEB liability	84,673	1,038	85,711
Total liabilities	6,751,031	8,036	6,759,067
Net Assets			
Invested in capital assets, net of related debt	5,072,132	24,851	5,096,983
Restricted for:			
Categorical funding	513,496	-	513,496
Debt service	8,546	-	8,546
Management levy	67,762	-	67,762
Student activities	58,286	-	58,286
School infrastructure	873,148	-	873,148
Physical plant and equipment levy	48,772	-	48,772
Unrestricted	(10,137)	82,016	71,879
Total net assets	\$ 6,632,005	106,867	6,738,872

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,691,932	221,583	15,897	(2,454,452)	-	(2,454,452)
Special	931,726	42,575	84,942	(804,209)	-	(804,209)
Other	1,182,203	195,919	265,538	(720,746)	-	(720,746)
	<u>4,805,861</u>	<u>460,077</u>	<u>366,377</u>	<u>(3,979,407)</u>	<u>-</u>	<u>(3,979,407)</u>
Support services:						
Student	132,935	-	-	(132,935)	-	(132,935)
Instructional staff	262,563	-	31,199	(231,364)	-	(231,364)
Administration	752,336	-	-	(752,336)	-	(752,336)
Operation and maintenance of plant	848,786	-	-	(848,786)	-	(848,786)
Transportation	485,506	-	-	(485,506)	-	(485,506)
	<u>2,482,126</u>	<u>-</u>	<u>31,199</u>	<u>(2,450,927)</u>	<u>-</u>	<u>(2,450,927)</u>
Non-instructional programs:						
Food service operations	12,842	-	-	(12,842)	-	(12,842)
Long-term debt interest	86,881	-	-	(86,881)	-	(86,881)
Other expenses:						
AEA flowthrough	251,017	-	251,017	-	-	-
Depreciation(unallocated)*	260,511	-	-	(260,511)	-	(260,511)
	<u>511,528</u>	<u>-</u>	<u>251,017</u>	<u>(260,511)</u>	<u>-</u>	<u>(260,511)</u>
Total governmental activities	<u>7,899,238</u>	<u>460,077</u>	<u>648,593</u>	<u>(6,790,568)</u>	<u>-</u>	<u>(6,790,568)</u>
Business type activities:						
Support services:						
Instructional staff	123	-	-	-	(123)	(123)
Administration	166	-	-	-	(166)	(166)
Operation and maintenance of plant	2,622	-	-	-	(2,622)	(2,622)
Total support services	<u>2,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,911)</u>	<u>(2,911)</u>
Non-instructional programs:						
Nutrition services	384,417	175,986	208,782	-	351	351
Total business type activities	<u>387,328</u>	<u>175,986</u>	<u>208,782</u>	<u>-</u>	<u>(2,560)</u>	<u>(2,560)</u>
Total	<u>\$ 8,286,566</u>	<u>636,063</u>	<u>857,375</u>	<u>(6,790,568)</u>	<u>(2,560)</u>	<u>(6,793,128)</u>
General Revenues:						
Property tax levied for:						
General purposes			\$ 2,998,010	-		2,998,010
Capital outlay			69,044	-		69,044
Debt service			152,200	-		152,200
Income surtax			243,976	-		243,976
Statewide sales, services and use tax			514,266	-		514,266
Unrestricted state grants			3,295,625	-		3,295,625
Nonspecific federal grants			121,358	-		121,358
Unrestricted investment earnings			6,908	3,865		10,773
Other			97,975	-		97,975
Transfers			1,400	(1,400)		-
Total general revenues			<u>7,500,762</u>	<u>2,465</u>		<u>7,503,227</u>
Changes in net assets			710,194	(95)		710,099
Net assets beginning of year			5,921,811	106,962		6,028,773
Net assets end of year			<u>\$ 6,632,005</u>	<u>106,867</u>		<u>6,738,872</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,386,028	845,700	153,068	2,384,796
Receivables:				
Property tax:				
Delinquent	52,094	1,183	4,299	57,576
Succeeding year	2,923,381	76,352	346,775	3,346,508
Income surtax	232,341	-	-	232,341
Accounts	520	-	744	1,264
Due from other governments	116,932	93,523	-	210,455
Total assets	\$ 4,711,296	1,016,758	504,886	6,232,940
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 165,996	18,486	3,872	188,354
Salaries and benefits payable	691,923	-	393	692,316
Deferred revenue:				
Succeeding year property tax	2,923,381	76,352	346,775	3,346,508
Income surtax	232,341	-	-	232,341
Total liabilities	4,013,641	94,838	351,040	4,459,519
Fund balances:				
Restricted for:				
Categorical funding	513,496	-	-	513,496
Debt service	-	-	8,546	8,546
Management levy purposes	-	-	111,546	111,546
Student activities	-	-	58,286	58,286
School infrastructure	-	873,148	-	873,148
Physical plant and equipment	-	48,772	-	48,772
Unassigned:				
General	184,159	-	-	184,159
Student activities	-	-	(24,532)	(24,532)
Total fund balances	697,655	921,920	153,846	1,773,421
Total liabilities and fund balances	\$ 4,711,296	1,016,758	504,886	6,232,940

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$	1,773,421
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		7,147,132
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		232,341
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		2,964
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.		(30,869)
Long-term liabilities, including bonds payable, scoreboard lease payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(2,492,984)</u>
 Net assets of governmental activities(page 18)	 \$	 <u><u>6,632,005</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 3,173,844	583,310	217,219	3,974,373
Tuition	220,479	-	-	220,479
Other	138,406	13,721	237,247	389,374
State sources	3,685,362	41	121	3,685,524
Federal sources	335,159	-	-	335,159
Total revenues	<u>7,553,250</u>	<u>597,072</u>	<u>454,587</u>	<u>8,604,909</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,606,551	2,801	52,255	2,661,607
Special	930,188	-	1,538	931,726
Other	967,695	-	207,913	1,175,608
	<u>4,504,434</u>	<u>2,801</u>	<u>261,706</u>	<u>4,768,941</u>
Support services:				
Student	131,948	-	-	131,948
Instructional staff	247,851	8,831	725	257,407
Administration	735,091	-	11,206	746,297
Operation and maintenance of plant	547,668	19,125	84,008	650,801
Transportation	377,188	33,009	19,465	429,662
	<u>2,039,746</u>	<u>60,965</u>	<u>115,404</u>	<u>2,216,115</u>
Non-instructional programs:				
Food service operations	-	-	12,842	12,842
Capital outlay	-	342,992	-	342,992
Long-term debt:				
Principal	-	-	513,228	513,228
Interest & fiscal charges	-	-	90,873	90,873
	<u>-</u>	<u>-</u>	<u>604,101</u>	<u>604,101</u>
Other expenditures:				
AEA flowthrough	251,017	-	-	251,017
Total expenditures	<u>6,795,197</u>	<u>406,758</u>	<u>994,053</u>	<u>8,196,008</u>
Excess(Deficiency) of revenues over(under) expenditures	758,053	190,314	(539,466)	408,901
Other financing sources(uses):				
Transfer in	1,400	-	451,580	452,980
Transfer out	(102,508)	(346,026)	(3,046)	(451,580)
Sale of assets	4,500	-	-	4,500
Total other financing sources(uses)	<u>(96,608)</u>	<u>(346,026)</u>	<u>448,534</u>	<u>5,900</u>
Net change in fund balances	661,445	(155,712)	(90,932)	414,801
Fund balance beginning of year	36,210	1,077,632	244,778	1,358,620
Fund balance end of year	<u>\$ 697,655</u>	<u>921,920</u>	<u>153,846</u>	<u>1,773,421</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22)	\$	414,801
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, and depreciation expense in the year are as follows:		
Capital outlays	\$ 191,016	
Depreciation expense	<u>(379,332)</u>	(188,316)
 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.		
		3,992
 Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		513,228
 Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis.		
		806
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		3,123
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Other postemployment benefits	\$ (30,084)	
Early retirement	<u>(7,356)</u>	<u>(37,440)</u>
 Changes in net assets of governmental activities(page 19)	 \$	 <u>710,194</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 79,943	2,964
Accounts receivable	106	-
Inventories	10,003	-
Total current assets	<u>90,052</u>	<u>2,964</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	24,851	-
Total assets	<u>114,903</u>	<u>2,964</u>
Liabilities		
Current liabilities:		
Accounts payable	1,227	
Salaries and benefits payable	14	-
Unearned revenue	5,757	-
Total current liabilities	<u>6,998</u>	<u>-</u>
Long-term liabilities:		
Net OPEB liability	1,038	-
Total long-term liabilities	<u>1,038</u>	<u>-</u>
Total liabilities	<u>8,036</u>	<u>-</u>
Net Assets		
Invested in capital assets	24,851	-
Unrestricted	82,016	2,964
Total net assets	<u>\$ 106,867</u>	<u>2,964</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 175,986	-
Miscellaneous	-	28,344
Total operating revenues	<u>175,986</u>	<u>28,344</u>
Operating expenses:		
Support services:		
Instructional staff:		
Services	123	-
Administration:		
Services	166	-
Operation and maintenance of plant:		
Services	2,437	
Supplies	185	-
	<u>2,911</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	133,185	-
Benefits	27,084	-
Services	8	-
Supplies	219,985	-
Depreciation	4,155	-
	<u>384,417</u>	<u>-</u>
Other operations:		
Benefits	-	27,538
Total operating expenses	<u>387,328</u>	<u>27,538</u>
Operating income(loss)	<u>(211,342)</u>	<u>806</u>
Non-operating revenues:		
State sources	3,865	-
Federal sources	195,060	-
Interest income	13,722	-
Total non-operating revenues	<u>212,647</u>	<u>-</u>
Change in net assets before other financing uses	1,305	806
Other financing uses:		
Transfer out	<u>(1,400)</u>	<u>-</u>
Change in net assets	(95)	806
Net assets beginning of year	<u>106,962</u>	<u>2,158</u>
Net assets end of year	<u>\$ 106,867</u>	<u>2,964</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from charges for services	\$ 176,893	-
Cash received from miscellaneous operating activities	-	28,344
Cash payments to employees for services	(162,922)	(27,538)
Cash payments to suppliers for goods or services	(192,830)	-
Net cash provided by(used in) operating activities	<u>(178,859)</u>	<u>806</u>
Cash flows from non-capital financing activities:		
Repayments to the General Fund	(1,400)	
State grants received	3,865	-
Federal grants received	171,031	-
Net cash provided by non-capital financing activities	<u>173,496</u>	<u>-</u>
Cash flows from capital financing activities:		
Purchase of assets	(11,514)	-
Cash flows from investing activities:		
Interest on investment	13,722	-
Net increase(decrease) in cash and cash equivalents	(3,155)	806
Cash and cash equivalents at beginning of year	83,098	2,158
Cash and cash equivalents at end of year	<u>\$ 79,943</u>	<u>2,964</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (211,342)	806
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	24,029	-
Depreciation	4,155	-
Decrease in inventories	4,818	-
Increase in accounts receivable	(106)	-
Increase in accounts payable	1,227	-
Decrease in salaries and benefits payable	(3,021)	-
Increase in unearned revenues	1,013	-
Increase in other postemployment benefits	368	-
Net cash provided by(used in) operating activities	<u>\$ (178,859)</u>	<u>806</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$24,029.

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District also reports two non-major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	3,000
Land improvements	3,000
Intangibles	20,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

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

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

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

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

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$501,430 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Service and Use Tax	\$ 346,026
Debt Service	General	102,508
Activity	Debt Service	3,046
General	School Nutrition Fund	1,400
		<u>\$ 452,980</u>

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

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

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

The transfer from the School Nutrition Fund to the General Fund was for administrative fees paid by the General Fund that should have been paid from the School Nutrition Fund.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 177,072	11,514	-	188,586
Less accumulated depreciation	159,580	4,155	-	163,735
Business Type activities capital assets, net	<u>\$ 17,492</u>	<u>7,359</u>	<u>-</u>	<u>24,851</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 38,401	-	-	38,401
Construction in progress	1,777,930	169,105	1,947,035	-
Total capital assets not being depreciated	1,816,331	169,105	1,947,035	38,401
Capital assets being depreciated:				
Buildings	7,140,042	1,762,875	-	8,902,917
Land improvements	953,792	188,411	-	1,142,203
Machinery and equipment	1,685,033	17,660	-	1,702,693
Total capital assets being depreciated	9,778,867	1,968,946	-	11,747,813
Less accumulated depreciation for:				
Buildings	2,991,423	209,920	-	3,201,343
Land improvements	367,480	50,591	-	418,071
Machinery and equipment	900,847	118,821	-	1,019,668
Total accumulated depreciation	4,259,750	379,332	-	4,639,082
Total capital assets being depreciated, net	5,519,117	1,589,614	-	7,108,731
Governmental activities capital assets, net	\$ 7,335,448	1,758,719	1,947,035	7,147,132

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,458
Other	6,595
Support services:	
Instructional staff	4,434
Operation and maintenance of plant	30,830
Transportation	73,504
	118,821
Unallocated depreciation	260,511
Total governmental activities depreciation expense	\$ 379,332
Business type activities:	
Food services	\$ 4,155

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 670	368	-	1,038	-

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds \$	875,000	-	130,000	745,000	130,000
Revenue bonds	1,620,000	-	290,000	1,330,000	295,000
Computer loan	380,000	-	90,473	289,527	93,181
Scoreboard lease	2,755	-	2,755	-	-
Early retirement	36,428	43,784	36,428	43,784	21,892
Net OPEB liability	54,589	49,842	-	84,673	-
Total	\$ 2,968,772	93,626	549,656	2,492,984	540,073

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 2011				
	Interest Rates	Principal	Interest	Total	
2013	2.00	% \$ 130,000	16,275	146,275	
2014	2.00	135,000	13,675	148,675	
2015	2.00	130,000	10,975	140,975	
2016	2.00	125,000	8,375	133,375	
2017	2.50	125,000	5,875	130,875	
2018	2.75	100,000	2,750	102,750	
Total		\$ 745,000	57,925	802,925	

Revenue Bonds Payable

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 2008			Bond Issue of 2009 Series A		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	3.30	% \$ 170,000	15,765	2.60	% \$ 125,000	1,625
2014	3.50	180,000	9,810	-	-	-
2015	3.60	185,000	3,330	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
		\$ 535,000	28,905		\$ 125,000	1,625

Year Ending June 30,	Bond Issue of 2009 Series B			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	-	-	30,150	295,000	47,540	342,540
2014	4.50	125,000	27,338	305,000	37,148	342,148
2015	4.50	125,000	21,713	310,000	25,043	335,043
2016	4.50	200,000	14,400	200,000	14,400	214,400
2017	4.50	220,000	4,950	220,000	4,950	224,950
		\$ 670,000	98,551	\$ 1,330,000	129,081	1,459,081

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

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

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

Computer Loan

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

Year Ending June 30,	Computer Loan of June 2011				
	Interest Rates		Principal	Interest	Total
2013	3.50	% \$	93,181	9,327	102,508
2014	3.50		96,470	6,038	102,508
2015	3.50		99,876	2,632	102,508
			<u>\$ 289,527</u>	<u>17,997</u>	<u>307,524</u>

Early Retirement

The District did not offer a voluntary early retirement plan to its employees fiscal 2012. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The applications for early retirement are submitted to the superintendent, who in turn submits to the Board of Education for approval.

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

At June 30, 2012, the District has obligations to two participants with actual early retirement expenditures for the year ended June 30, 2012 totaled \$43,784.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined

benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$353,325, \$294,887, and \$298,399 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit and explicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,000
Interest on net OPEB obligation	2,487
Adjustment to annual required contribution	(2,035)
Annual OPEB cost	<u>50,452</u>
Contributions made	(20,000)
Increase in net OPEB obligation	<u>30,452</u>
Net OPEB obligation - beginning of year	<u>55,259</u>
Net OPEB obligation - end of year	<u>\$ 85,711</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2012.

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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 50,000	44.00%	\$ 28,000
2011	50,259	45.76%	55,259
2012	50,452	39.64%	85,711

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$353,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$353,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,751,923, and the ratio of the UAAL to the covered payroll was 9.41%. As of June 30, 2012, there were no trust fund assets.

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

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

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

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

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

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

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$251,017 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the other expenditures functional area exceeded the budgeted amount.

(11) Deficit Fund Balance

At June 30, 2012, the Student Activity Fund had a deficit unassigned fund balance of \$24,532. The District had a deficit unrestricted net assets balance in the governmental activities of \$10,137.

(12) Categorical Funding

The District's ending restricted fund balances for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 122,609
Dropout and dropout prevention	283,309
Teacher salary supplement	32,110
Iowa alliance for the arts	2,168
Professional development, model core curriculum	29,432
Market factor	2,459
Four-year-old preschool	31,180
Professional development	9,221
Beginning teacher mentoring	1,008
Total	<u><u>\$ 513,496</u></u>

Nodaway Valley Community School District

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,584,226	189,708	4,773,934	4,662,750	4,662,750	111,184
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	3,685,524	3,865	3,689,389	3,952,216	3,952,216	(262,827)
Federal sources	335,159	195,060	530,219	217,000	217,000	313,219
Total revenues	<u>8,604,909</u>	<u>388,633</u>	<u>8,993,542</u>	<u>8,836,966</u>	<u>8,836,966</u>	<u>156,576</u>
Expenditures/Expenses:						
Instruction	4,768,941	-	4,768,941	5,677,028	5,677,028	908,087
Support services	2,216,115	2,911	2,219,026	3,064,697	2,869,092	650,066
Non-instructional programs	12,842	384,417	397,259	304,395	500,000	102,741
Other expenditures	1,198,110	-	1,198,110	890,011	890,011	(308,099)
Total expenditures/expenses	<u>8,196,008</u>	<u>387,328</u>	<u>8,583,336</u>	<u>9,936,131</u>	<u>9,936,131</u>	<u>1,352,795</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	408,901	1,305	410,206	(1,099,165)	(1,099,165)	1,509,371
Other financing sources, net	5,900	(1,400)	4,500	-	-	-
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	414,801	(95)	414,706	(1,099,165)	(1,099,165)	1,509,371
Balance beginning of year	1,358,620	106,962	1,465,582	557,460	557,460	908,122
Balance end of year	<u>\$ 1,773,421</u>	<u>106,867</u>	<u>1,880,288</u>	<u>(541,705)</u>	<u>(541,705)</u>	<u>2,417,493</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment moving \$195,605 from the support services function to the non-instructional programs function.

During the year ended June 30, 2012, expenditures in the other expenditures functional area exceeded the budgeted amount.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	\$ 353,000	\$ 353,000	0.0%	\$ 3,590,000	9.83%
2011	July 1, 2009	0	353,000	353,000	0.0%	3,659,442	9.65%
2012	July 1, 2009	0	353,000	353,000	0.0%	3,751,923	9.41%

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

OTHER SUPPLEMENTARY INFORMATION

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue				
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Total
Assets					
Cash and pooled investments	\$ 110,391	37,275	147,666	5,402	153,068
Receivables:					
Property tax:					
Delinquent	1,155	-	1,155	3,144	4,299
Succeeding year	200,000	-	200,000	146,775	346,775
Accounts	-	744	744	-	744
Total assets	\$ 311,546	38,019	349,565	155,321	504,886
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	3,872	3,872	-	3,872
Salaries and benefits payable	-	393	393	-	393
Deferred revenue:					
Succeeding year property tax	200,000	-	200,000	146,775	346,775
Total liabilities	200,000	4,265	204,265	146,775	351,040
Fund Balances:					
Restricted for:					
Debt service	-	-	-	8,546	8,546
Management levy purpose	111,546	-	111,546	-	111,546
Student activities	-	58,286	58,286	-	58,286
Unassigned	-	(24,532)	(24,532)	-	(24,532)
Total fund balances	111,546	33,754	145,300	8,546	153,846
Total liabilities and fund balances	\$ 311,546	38,019	349,565	155,321	504,886

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 65,019	-	65,019	152,200	217,219
Other	14,622	222,441	237,063	184	237,247
State sources	39	-	39	82	121
Total revenues	<u>79,680</u>	<u>222,441</u>	<u>302,121</u>	<u>152,466</u>	<u>454,587</u>
Expenditures:					
Current:					
Instruction:					
Regular	52,255	-	52,255	-	52,255
Special	1,538	-	1,538	-	1,538
Other	993	206,920	207,913	-	207,913
Support services:					
Instructional staff	725	-	725	-	725
Administration	11,206	-	11,206	-	11,206
Operation and maintenance of plant	83,846	162	84,008	-	84,008
Transportation	19,465	-	19,465	-	19,465
Non-instructional programs:					
Food service operations	12,842	-	12,842	-	12,842
Long-term debt:					
Principal	-	-	-	513,228	513,228
Interest and fiscal charges	-	-	-	90,873	90,873
Total expenditures	<u>182,870</u>	<u>207,082</u>	<u>389,952</u>	<u>604,101</u>	<u>994,053</u>
Excess(Deficiency) of revenues over(under) expenditures	(103,190)	15,359	(87,831)	(451,635)	(539,466)
Other financing sources(uses):					
Transfers in	-	-	-	451,580	451,580
Transfer out	-	(3,046)	(3,046)	-	(3,046)
Total other financing sources(uses)	<u>-</u>	<u>(3,046)</u>	<u>(3,046)</u>	<u>451,580</u>	<u>448,534</u>
Net change in fund balances	(103,190)	12,313	(90,877)	(55)	(90,932)
Fund balance beginning of year	214,736	21,441	236,177	8,601	244,778
Fund balance end of year	<u>\$ 111,546</u>	<u>33,754</u>	<u>145,300</u>	<u>8,546</u>	<u>153,846</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 796,961	48,739	845,700
Receivables:			
Property tax			
Delinquent	-	1,183	1,183
Succeeding year	-	76,352	76,352
Due from other governments	93,523	-	93,523
Total assets	\$ 890,484	126,274	1,016,758
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 17,336	1,150	18,486
Deferred revenue:			
Succeeding year property tax	-	76,352	76,352
Total liabilities	17,336	77,502	94,838
Fund Balances:			
Restricted for:			
School infrastructure	873,148	-	873,148
Physical plant and equipment	-	48,772	48,772
Total fund balances	873,148	48,772	921,920
Total liabilities and fund balances	\$ 890,484	126,274	1,016,758

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 514,266	69,044	583,310
Other	13,560	161	13,721
State sources	-	41	41
Total revenues	<u>527,826</u>	<u>69,246</u>	<u>597,072</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	2,801	2,801
Support services:			
Instructional staff	-	8,831	8,831
Operation and maintenance of plant	15,265	3,860	19,125
Transportation	-	33,009	33,009
Capital outlay	316,940	26,052	342,992
Total expenditures	<u>332,205</u>	<u>74,553</u>	<u>406,758</u>
Other financing uses:			
Transfer out	(346,026)	-	(346,026)
Net change in fund balances	(150,405)	(5,307)	(155,712)
Fund balance beginning of year	1,023,553	54,079	1,077,632
Fund balance end of year	<u>\$ 873,148</u>	<u>48,772</u>	<u>921,920</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE ACCOUNTS
 JUNE 30, 2012

	Debt Service		
	Debt Service- Greenfield	Debt Service- Bridgewater- Fontanelle	Total
Assets			
Cash and pooled investments	\$ -	5,402	5,402
Receivables:			
Property tax			
Delinquent	-	3,144	3,144
Succeeding year	146,775	-	146,775
Total assets	\$ 146,775	8,546	155,321
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 146,775	-	146,775
Total liabilities	146,775	-	146,775
Fund Balances:			
Restricted for:			
Debt service	-	8,546	8,546
Total fund balances	-	8,546	8,546
Total liabilities and fund balances	\$ 146,775	8,546	155,321

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICE ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Debt Service		
	Debt Service- Greenfield	Debt Service- Bridgewater- Fontanelle	Total
Revenues:			
Local sources:			
Local tax	\$ -	152,200	152,200
Other	-	184	184
State sources	-	82	82
Total revenues	-	152,466	152,466
Expenditures:			
Current:			
Long-term debt:			
Principal	383,228	130,000	513,228
Interest and fiscal charges	68,352	22,521	90,873
Total expenditures	451,580	152,521	604,101
Other financing uses:			
Transfers in	451,580	-	451,580
Net change in fund balances	-	(55)	(55)
Fund balance beginning of year	-	8,601	8,601
Fund balance end of year	\$ -	8,546	8,546

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Drama	\$ 488	2,477	2,359	-	606
Vocal music	1,264	9,749	8,420	-	2,593
Band	441	9,994	9,759	-	676
Scoreboard fund	2,776	7,704	3,800	-	6,680
Basketball	3,144	38,328	30,979	-	10,493
Bowling	-	500	-	-	500
Football	-	-	-	4,123	4,123
Wrestling	1,816	11,543	10,511	-	2,848
Volleyball	958	4,013	3,157	-	1,814
Dance team	1,511	2,273	1,749	-	2,035
Cheerleading	335	-	-	(335)	-
FFA	690	17,038	14,159	-	3,569
Student council	35	3,101	2,680	-	456
Activity ticket	711	20,291	20,793	-	209
Juice and pop machine	240	91	-	-	331
Yearbook middle school	1,164	633	217	-	1,580
Yearbook	6,589	12,357	12,447	-	6,499
NV boys basketball camps fund	422	-	422	-	-
MS student council	4,925	6,307	4,368	-	6,864
Class of 2010	746	-	746	-	-
Class of 2011	2,736	2	2,738	-	-
Class of 2012	3,804	669	3,773	-	700
Class of 2013	5,934	16,343	16,954	-	5,323
Class of 2014	95	625	333	-	387
Class of 2015	-	90	300	-	(210)
Cheerleading	(1,050)	836	1,887	335	(1,766)
Honor society	(304)	250	259	-	(313)
History books	(5,090)	96	-	-	(4,994)
Soccer	(6,981)	9,844	10,516	-	(7,653)
Football	(3,583)	16,751	10,481	(4,123)	(1,436)
Golf	(623)	680	1,476	-	(1,419)
Track	(481)	14,787	16,313	(3,046)	(5,053)
Baseball/softball	(1,271)	15,069	15,486	-	(1,688)
Total	\$ 21,441	222,441	207,082	(3,046)	33,754

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,974,373	3,720,981	3,263,173	3,171,353	3,039,974	3,025,752	2,927,106	2,926,431	2,597,762
Tuition	220,479	202,175	161,170	157,308	137,680	157,706	125,053	127,338	99,421
Other	389,374	378,703	397,834	331,650	347,326	353,245	495,234	259,834	226,266
Intermediate sources	-	-	-	-	-	-	103	-	-
State sources	3,685,524	3,601,208	3,227,689	3,846,166	3,791,546	3,446,890	3,426,585	3,383,312	3,347,324
Federal sources	335,159	615,010	325,166	249,685	183,982	186,358	191,085	202,301	220,322
Total	\$ 8,604,909	8,518,077	7,375,032	7,756,162	7,500,508	7,169,951	7,165,166	6,899,216	6,491,095
Expenditures:									
Current:									
Instruction:									
Regular	\$ 2,661,607	3,016,779	2,653,950	2,901,054	2,769,469	2,303,741	2,153,852	2,353,831	2,221,520
Special	931,726	911,347	940,099	857,693	792,189	818,833	729,609	997,283	997,607
Other	1,175,608	1,160,709	1,192,273	1,266,548	1,053,215	943,112	1,038,156	610,754	600,342
Support services:									
Student	131,948	121,302	176,161	52,152	79,660	75,520	85,252	77,039	73,845
Instructional staff	257,407	215,127	179,222	271,782	219,251	247,715	201,143	141,386	111,671
Administration	746,297	746,755	800,821	820,304	818,182	807,012	731,596	772,778	693,256
Operation and maintenance of plant	650,801	643,346	650,440	730,112	689,551	668,638	630,562	504,911	450,698
Transportation	429,662	438,890	444,562	371,172	403,514	483,665	344,023	318,494	292,086
Non-instructional programs	12,842	4,133	-	3,257	3,047	2,764	2,492	2,310	2,337
Capital outlay	342,992	155,211	931,734	1,079,557	394,867	114,925	511,367	175,248	15,807
Long-term debt:									
Principal	513,228	412,755	275,000	330,000	365,000	1,650,000	335,000	320,000	285,000
Interest & fiscal charges	90,873	115,669	71,491	66,665	59,306	128,612	146,001	109,314	145,128
Other expenditures:									
AEA flow-through	251,017	288,384	287,118	261,611	252,005	242,400	237,121	237,625	240,419
Total	\$ 8,196,008	8,230,407	8,602,871	9,011,907	7,899,256	8,486,937	7,146,174	6,620,973	6,129,716

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nodaway Valley Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 6, 2013. 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

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

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination or deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 and I-C-12 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 6, 2013

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters noted.

INTERNAL CONTROL DEFICIENCIES:

- I-A-12 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. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

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

Conclusion - Response accepted.

- I-B-12 Supporting Documentation - We noted instances of a check being written to vendors using copies of invoices for support rather than actual invoices.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should require original invoices when making payment and deface them in such a way to indicate that payment has been made.

Response - The District will require original invoices before a payment is approved and the invoice will be defaced when payment is made.

Conclusion - Response accepted.

- I-C-12 Booster Club - We noted during our audit that the District's Booster Club uses the District's Federal Identification Number. Because the Booster Club is using the District's Federal Identification Number, the District should be accounting for the Booster Club within the District's Activity Fund. The Booster Club's accounts should be included in the District's financial statements and subjected to the same Code of Iowa requirements as well as internal controls that the District follows.

In Iowa, all funds collected through school activities are under the financial control of the District's Board of Education. Proper accounting of all receipts and expenditures in these accounts is the responsibility of the Board of Education and the District's Board Secretary. The District may maintain subsidiary records for student activities, but all official records of the Student Activity Fund shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, these records must be reconciled to the official records monthly.

Recommendation - The District should contact officials of the Booster Club and request the accounts to be turned over to the District. The Booster Club may establish a 501(c)(3)

organization; however, the current accounts are District assets and should be turned over to the District for proper recording. In addition, the Board of Directors should consider contacting local banks and request listings of accounts utilizing the District's Federal Identification Number. The District should research any unfamiliar accounts and make necessary changes.

Response - The District will meet with the Booster Club to resolve this issue. We will discuss options and work with the Booster Club to implement appropriate changes to meet the requirements of the Code of Iowa.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-12 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values provided by the Department of Education, resulting in an understatement of inventory.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District should implement procedures to ensure the correct price values are used when calculating the inventory value at year end.

Response - The District will review procedures used in the calculation of commodity inventory prices. The District will use the correct price values when calculating the inventory value.

Conclusion - Response accepted.

I-E-12 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

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

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

Conclusion - Response accepted.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012, exceeded the certified budget amounts in the other expenditures functional area.

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

Response - We will continue to monitor the four functional areas of the budget and amend the budget when needed.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses or District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rose Gantham, Teacher Spouse owns Grantham Sanitation	Supplies	\$12,310
Clint Hight, Board Member Official	Purchased service	\$330

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

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

II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-12 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 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-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,023,553
Revenues/transfers in:		
Sales tax revenues	\$ 514,266	
Other Local Revenues	13,560	527,826
		1,551,379
Expenditures/transfers out		
School infrastructure construction	\$ 205,418	
Equipment	45,930	
Other	80,857	
Transfers to other funds:		
Debt service fund	346,026	678,231
		873,148
Ending Balance		\$ 873,148

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-12 Financial Condition - We noted during our audit that the Special Revenue, Student Activity Fund has nine accounts with deficit balances totaling \$24,532. We also noted that the District has a deficit unrestricted net assets balance in the governmental activities of \$10,137.

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

Response - We will continue to implement our workout plan to zero out the negative balances in Special Revenue and Student Activity Fund.

Conclusion - Response accepted.