

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2004

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MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u> (Before September 2003 Election)		
Brit Liljedahl	President	2004
Nan Colwell	Vice President	2003
Mark Warner	Board Member	2003
Brenda Dooley	Board Member	2005
Chris Guinan	Board Member	2005

<u>Board of Education</u> (After September 2003 Election)		
Brit Liljedahl	President	2004
Mark Warner	Vice President	2006
Brian Clausen	Board Member	2006
Chris Guinan	Board Member	2005
Brenda Dooley	Board Member	2005

<u>School Officials</u>		
Dr. Thomas J. Micek	Superintendent	2004
Robyn Wohlers	Secretary / Treasurer	2004
Noel Mumm	Local Attorney	2004
Rick Engel	Board's Attorney	2004
Rick Franck	Administrator's Attorney	2004

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

August 18, 2004

INDEPENDENT AUDITORS' REPORT

The Board of Education
Missouri Valley Community School District
Missouri Valley, IA 51555

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Missouri Valley Community School District, Missouri Valley, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Missouri Valley Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 15 to the financial statements, during the year ended June 30, 2004, Missouri Valley Community School District adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Continued . . .

August 18, 2004
Missouri Valley Community School District
Independent Auditors' Report

In accordance with *Government Auditing Standards* we have also issued our report dated August 18, 2004, on our consideration of Missouri Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 15 and 43 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Missouri Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Missouri 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, the information is baseline data for the GASB 34 process and is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- The General Fund unrestricted fund balance was \$1,084,438 in fiscal year 2004 as compared to \$1,236,325 in fiscal year 2003. The District's General Fund balance decreased by \$151,887, a 12% decrease.
- The decrease in General Fund revenues was attributable to an decrease in property tax and state and federal grant revenue in fiscal 2004. An increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

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 Missouri 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 Missouri 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 Missouri Valley Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

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

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

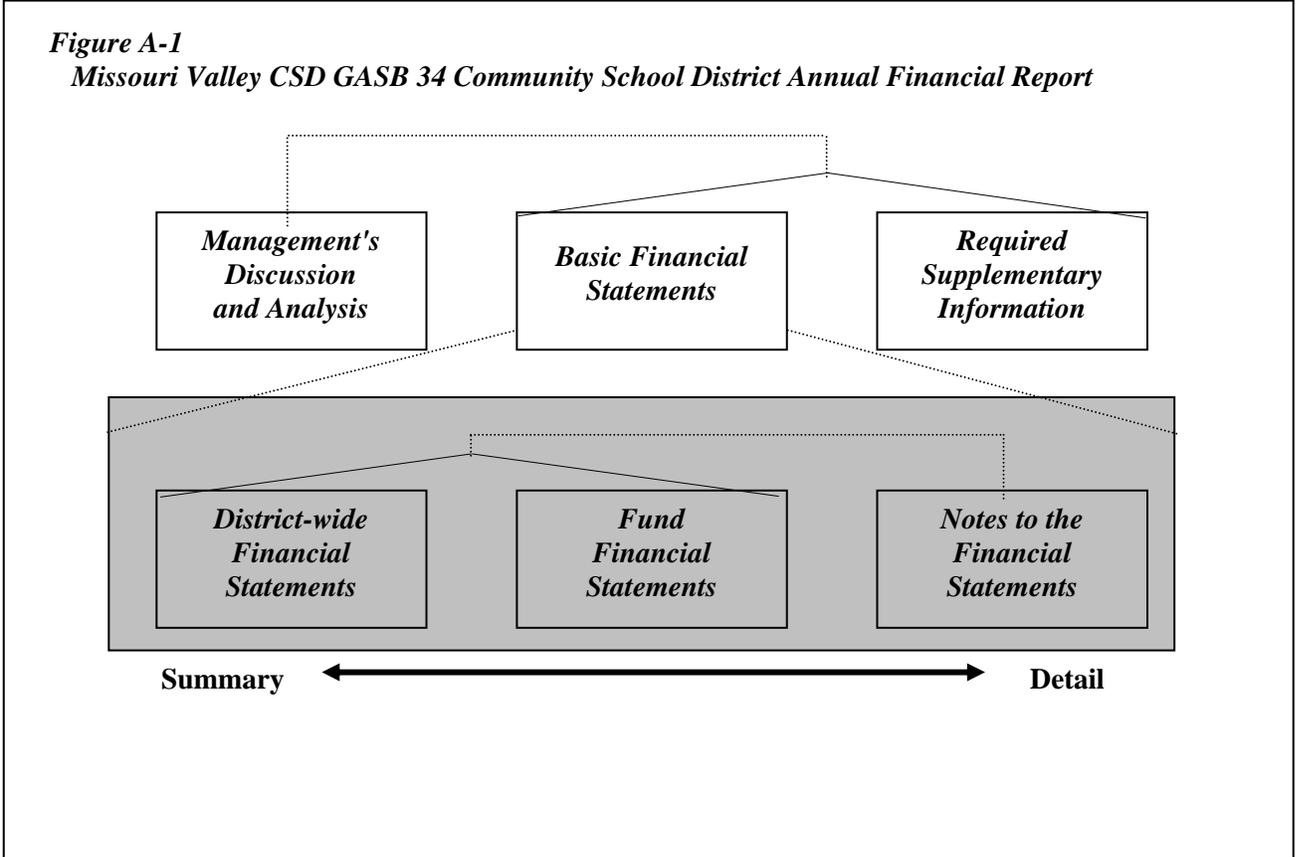


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004.

**Figure A-3
Condensed Statement of Net Assets**

	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	
Current and other assets	\$ 7,937,951	\$ 16,780	\$ 7,954,731
Capital Assets	<u>10,070,907</u>	<u>42,024</u>	<u>10,112,931</u>
Total assets	\$18,008,858	\$ 58,804	\$18,067,662
Long-term liabilities	\$ 7,429,916	\$ 0	\$ 7,429,916
Other liabilities	<u>3,097,021</u>	<u>2,783</u>	<u>3,099,804</u>
Total Liabilities	\$10,526,937	\$ 2,783	\$10,529,720
Invested in capital assets ,			
Net of related debt	\$ 6,340,907	\$ 42,024	\$ 6,382,931
Restricted	223,874	0	223,874
Unrestricted	<u>917,140</u>	<u>13,997</u>	<u>931,137</u>
Total net assets	\$ 7,481,921	\$ 56,021	\$ 7,537,942

The District's combined net assets are \$7,537,942 with 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 equal to \$6,382,931. 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 primarily a result the addition of SILO proceeds from both Harrison and Pottawattamie counties.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased as a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

**Figure A-4
Changes in Net Assets**

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>Revenues:</u>			
Charges for services	\$ 486,970	\$ 164,291	\$ 651,261
Operating grants, contributions and restricted interest	873,665	145,026	1,018,691
Property tax	2,571,835	0	2,571,835
Local option sales tax	182,361	0	182,361
Unrestricted state grants	3,677,217	0	3,677,217
Non-instructional programs	12,088	50	12,138
Other	113,882	0	113,882
Transfers	(15,000)	15,000	0
Total revenues	<u>7,903,018</u>	<u>324,367</u>	<u>8,227,385</u>
<u>Program expenses:</u>			
Instruction	5,223,902	0	5,223,902
Support services	2,195,226	0	2,195,226
Other expenses	818,391	0	818,391
Non-instructional	0	320,137	320,137
	<u>8,237,519</u>	<u>320,137</u>	<u>8,557,656</u>
Change in net assets	<u>\$ (334,501)</u>	<u>\$ 4,230</u>	<u>\$ (330,771)</u>

Property tax and unrestricted state grants account for 96% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total expenses.

Governmental Activities – General Fund

Revenues for governmental activities in the general fund were \$6,746,896 and expenses were \$6,883,783. In a difficult budget year, the District was able to balance the budget by reducing the unspent balance and unencumbered balance by \$151,887.

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

Figure A-5 - Governmental Activity – General Fund

<u>Revenues:</u>	
Local Sources	\$ 2,373,383
State Sources	4,117,808
Federal Sources	<u>255,701</u>
Total Revenue	6,746,896
<u>Expenditures</u>	
Instruction	4,657,564
Support Services	1,947,453
Other-AEA flowthrough	278,766
Transfer	<u>15,000</u>
Total	6,898,783
Deficit	151,887
Fund balance beginning of year	1,236,325
Fund balance end of year	\$ 1,084,438

- The cost financed by users of the District’s general fund programs was \$2,373,383 plus the \$151,887 use of reserves equal to \$2,388,570.
- Federal and state governments subsidized general fund programs with grants and contributions totaling \$4,373,509
- Thirty-four percent (34%) of the expenditures were funded by local funds, with sixty-six percent (66%) funded by state and federal funding.

Business Type Activities

Business-type activities are reflected in the statement of net assets for the School Nutrition Fund. Figure A-6 indicates the status of the business-type net assets.

Figure A-6
Statement of Net Assets – School Nutrition

Assets	\$ 58,804
Liabilities	<u>2,783</u>
Net Assets	<u>\$ 56,021</u>

INDIVIDUAL FUND ANALYSIS

Governmental Fund Highlights

- The District’s declining General Fund financial position is the result of many factors. The primary reasons for a decline in the general fund is due to 1) declining enrollment impacting revenue, and 2) negotiated settlements that exceed the new monies generated by enrollment. The unrestricted balance ended at \$1,084,438 providing the district with an approximate 40 days cash reserve.
- The Debt Service Fund ended with a positive balance of \$3,341,138 reflecting a reduction in the balance of \$50,923 from the beginning of the year.
- The Management Fund had a negative balance of \$2,638 at the end of the year on June 30, 2004. The levy was increased substantially for FY 05 to prevent any negative balance position in the future.
- The Property, Plant and Equipment Fund ended with a positive balance of \$149,053 as of June 30, 2004.
- The Local Option Sales and Service Tax Fund ended with a positive balance of \$235,012. The increase in funding was due to the passage of the SILO in Harrison County in 2004.
- The Student Activity Fund ended with a positive balance of \$77,459 as of June 30, 2004.

Proprietary Fund Highlights

The School Nutrition Fund expenses of \$320,137 exceeded the revenue of \$309,367 by \$10,770. A transfer of \$15,000 added to the net assets at the beginning of the year of \$51,791 resulted in an increase in net assets from \$51,791 at June 30, 2003 to \$56,021 at June 30, 2004. For fiscal 2005, the District increased meal prices, and also revamped its school lunch program to generate increased revenue for the program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets for Governmental Activities

At June 30, 2004, the District had invested \$10,070,907, net of accumulated depreciation, in a broad range of capital assets for governmental activities. Accumulated depreciation at the end of the year amounted to \$1,828,692 reducing the total value of all assets from \$11,837, 749. Land valued at \$61,850 remained at that level.

Long-Term Debt

At June 30, 2004, the District had \$7,429,916 in general obligation, revenue and other long-term debt outstanding representing a 2% reduction from last year. The District will begin to benefit from the reselling of bonds to reduce the interest rates in FY 05 and FY 06 by \$176,000.

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:

- The District has experienced declining enrollment for the past two years, and expects to continue to have a slight decline in enrollment. If settlements continue to exceed new monies, significant reductions in staff will be needed to reduce expenditures.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2005 at a cost of \$55,000. To pay for this bus, the District will use resources from the Physical Plant and Equipment Levy Fund.
- The District has determined that the high school HVAC system must be replaced as soon as possible. The age and condition of this mechanical system is resulting in high costs for repair and energy consumption. The SILO funds will be the principal source of revenue for the repair of this system.

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 Dr. Tom Micek, Superintendent of Schools or Ms. Robyn Wohlers, Business Manager for the Missouri Valley Community School District located at 109 E. Michigan Street, Missouri Valley, Iowa.

Basic Financial Statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents:			
ISCAP	\$ 548,959	0	548,959
Other	4,804,403	12,493	4,816,896
Receivables:			
Property tax:			
Delinquent	39,441	0	39,441
Succeeding year	2,420,356	0	2,420,356
Accounts	0	0	0
Accrued interest	26	0	26
Due from other governments	124,766	0	124,766
Inventories	0	4,287	4,287
Capital assets, net of accumulated depreciation	10,070,907	42,024	10,112,931
Total assets	<u>18,008,858</u>	<u>58,804</u>	<u>18,067,662</u>
Liabilities			
Accounts payable	46,666	10	46,676
Salaries and benefits payable	326	0	326
Due to other governments	13,822	0	13,822
Accrued interest payable	32,590	0	32,590
Deferred revenue:			
Succeeding year property tax	2,420,356	0	2,420,356
Other	29,688	2,773	32,461
ISCAP warrants payable	546,000	0	546,000
ISCAP accrued interest payable	7,573	0	7,573
Long-term liabilities:			
Portion due within one year:			
Bonds payable	260,000	0	260,000
Early retirement benefits	66,349	0	66,349
Compensated absences	5,321	0	5,321
Portion due after one year:			
Bonds payable	6,850,000	0	6,850,000
Early retirement benefits	248,246	0	248,246
Total liabilities	<u>10,526,937</u>	<u>2,783</u>	<u>10,529,720</u>
Net Assets			
Invested in capital assets, net of related debt	6,340,907	42,024	6,382,931
Restricted for:			
Management levy	(2,638)	0	(2,638)
Physical plant and equipment levy	149,053	0	149,053
Other special revenue purposes	77,459	0	77,459
Unrestricted	917,140	13,997	931,137
Total net assets	<u>\$ 7,481,921</u>	<u>56,021</u>	<u>7,537,942</u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

	Program Revenues		
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,173,056	178,686	373,160
Special instruction	1,227,444	37,114	155,050
Other instruction	823,402	246,605	9,198
	5,223,902	462,405	537,408
Support services:			
Student services	161,213	0	979
Instructional staff services	187,007	0	0
Administration services	802,570	0	0
Operation and plant maintenance	763,037	24,565	0
Transportation services	281,399	0	9,533
	2,195,226	24,565	10,512
Other expenditures:			
Long-term debt interest	326,041	0	46,979
AEA flowthrough	278,766	0	278,766
Depreciation (unallocated)*	213,584	0	0
	818,391	0	325,745
Total governmental activities	8,237,519	486,970	873,665
Business-type activities:			
Non-instructional programs:			
Food service operations	320,137	164,291	145,026
Total	\$ 8,557,656	651,261	1,018,691
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Local option sales tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets beginning of year, as restated			
Net assets end of year			

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

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(2,621,210)	0	(2,621,210)
(1,035,280)	0	(1,035,280)
(567,599)	0	(567,599)
<u>(4,224,089)</u>	<u>0</u>	<u>(4,224,089)</u>
(160,234)	0	(160,234)
(187,007)	0	(187,007)
(802,570)	0	(802,570)
(738,472)	0	(738,472)
(271,866)	0	(271,866)
<u>(2,160,149)</u>	<u>0</u>	<u>(2,160,149)</u>
(279,062)	0	(279,062)
0	0	0
(213,584)	0	(213,584)
<u>(492,646)</u>	<u>0</u>	<u>(492,646)</u>
<u>(6,876,884)</u>	<u>0</u>	<u>(6,876,884)</u>
<u>0</u>	<u>(10,820)</u>	<u>(10,820)</u>
(6,876,884)	(10,820)	(6,887,704)
2,110,851	0	2,110,851
460,984	0	460,984
182,361	0	182,361
3,677,217	0	3,677,217
12,088	50	12,138
113,882	0	113,882
(15,000)	15,000	0
<u>6,542,383</u>	<u>15,050</u>	<u>6,557,433</u>
(334,501)	4,230	(330,271)
<u>7,816,422</u>	<u>51,791</u>	<u>7,868,213</u>
<u>7,481,921</u>	<u>56,021</u>	<u>7,537,942</u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
YEAR ENDED JUNE 30, 2004**

	General	Debt Service	Nonmajor Funds	Total
ASSETS				
Assets:				
Cash and pooled investments:				
ISCAP	\$ 548,959	0	0	548,959
Other	1,054,741	3,328,566	421,096	4,804,403
Receivables:				
Property tax:				
Delinquent	21,723	12,572	5,146	39,441
Succeeding year	1,752,509	437,455	230,392	2,420,356
Accrued interest	0	0	26	26
Due from other governments	81,150	0	43,616	124,766
Total assets	\$ 3,459,082	3,778,593	700,276	7,937,951
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 40,684	0	5,982	46,666
Salaries and benefits payable	326	0	0	326
Due to other governments	13,822	0	0	13,822
ISCAP warrants payable	546,000	0	0	546,000
ISCAP accrued interest payable	7,573	0	0	7,573
Deferred revenue:				
Succeeding year property tax	1,752,509	437,455	230,392	2,420,356
Other	13,730	0	5,016	18,746
Total liabilities	2,374,644	437,455	241,390	3,053,489
Fund balances:				
Reserved for:				
Debt service	0	3,341,138	0	3,341,138
Unreserved	1,084,438	0	458,886	1,543,324
Total fund balances	1,084,438	3,341,138	458,886	4,884,462
Total liabilities and fund balances	\$ 3,459,082	3,778,593	700,276	7,937,951

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2004**

Total fund balances of governmental funds	\$	4,884,462
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.		10,070,907
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		(10,942)
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.		(32,590)
Long-term liabilities, including bonds payable, compensated absences, and early retirement benefits are not due and payable in the current period, and therefore, are not reported as liabilities of the governmental funds.		<u>(7,429,916)</u>
Net assets of governmental activities	\$	<u>7,481,921</u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 2,083,959	468,612	197,412	2,749,983
Tuition	169,566	0	0	169,566
Other	119,862	47,482	466,298	633,642
State sources	4,117,808	367	160	4,118,335
Federal sources	<u>255,701</u>	<u>1,352</u>	<u>595</u>	<u>257,648</u>
Total revenues	6,746,896	517,813	664,465	7,929,174
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,970,811	0	87,685	3,058,496
Special instruction	1,227,444	0	0	1,227,444
Other instruction	<u>459,309</u>	<u>0</u>	<u>300,445</u>	<u>759,754</u>
	4,657,564	0	388,130	5,045,694
Support services:				
Student services	161,213	0	0	161,213
Instructional staff services	187,007	0	0	187,007
Administration services	786,358	0	8,484	794,842
Operation and maintenance of plant services	560,825	0	212,326	773,151
Transportation services	<u>252,050</u>	<u>0</u>	<u>12,706</u>	<u>264,756</u>
	1,947,453	0	233,516	2,180,969
Other expenditures:				
Long-term debt:				
Principal	0	245,000	0	245,000
Interest and fiscal charges	0	323,736	0	323,736
AEA flowthrough	<u>278,766</u>	<u>0</u>	<u>0</u>	<u>278,766</u>
Total expenditures	<u>278,766</u>	<u>568,736</u>	<u>0</u>	<u>847,502</u>
	6,883,783	568,736	621,646	8,074,165
Excess (deficiency) of revenues over (under) expenditures	(136,887)	(50,923)	42,819	(144,991)
Other financing uses:				
Operating transfers out	<u>(15,000)</u>	<u>0</u>	<u>0</u>	<u>(15,000)</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>0</u>	<u>0</u>	<u>(15,000)</u>
Net change in fund balances	(151,887)	(50,923)	42,819	(159,991)
Fund balances beginning of year, as restated	<u>1,236,325</u>	<u>3,392,061</u>	<u>416,067</u>	<u>5,044,453</u>
Fund balances end of year	\$ <u><u>1,084,438</u></u>	<u><u>3,341,138</u></u>	<u><u>458,886</u></u>	<u><u>4,884,462</u></u>

See notes to financial statements

**MISSOURI 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, 2004**

Net change in fund balances – total governmental funds \$ (159,991)

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

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

Expenditures for capital assets	\$ 193,053	
Depreciation expense	<u>(504,381)</u>	(311,328)

Certain delinquent property tax not collected for several months after year end is not considered available revenue in the governmental funds and is deferred in the governmental funds.	(11,156)
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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.	245,000
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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.	(2,305)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.	
Early retirement	(91,125)
Compensated absences	<u>(3,596)</u>
	<u>(94,721)</u>

Change in net assets of governmental activities \$ (334,501)

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004**

	<u>School Nutrition</u>	
Assets		
Cash and cash equivalents	\$	12,493
Inventories		4,287
Capital assets, net of accumulated depreciation		<u>42,024</u>
Total assets		58,804
 Liabilities		
Accounts payable		10
Deferred revenue		<u>2,773</u>
Total liabilities		<u>2,783</u>
 Net Assets		
Invested in capital assets		42,024
Unrestricted		<u>13,997</u>
Total net assets	\$	<u>56,021</u>

See notes to financial statements
MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 164,291
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	113,170
Benefits	40,468
Purchased services	5,856
Supplies	153,019
Depreciation	7,624
Total operating expenses	320,137
Operating loss	(155,846)
Non-operating revenue:	
State sources	4,669
Federal sources	140,357
Interest on investments	50
Total non-operating revenue	145,076
Change in net assets before operating transfer	(10,770)
Other financing sources:	
Operating transfers in	15,000
Change in net assets after operating transfer	4,230
Net assets beginning of year	51,791
Net assets end of year	\$ 56,021

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004**

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 164,873
Cash payments to employees for services	(150,080)
Cash payments to suppliers for goods or services	<u>(143,961)</u>
Net cash used in operating activities	(129,168)
Cash flows from non-capital financing activities:	
State grants received	4,669
Federal grants received	118,696
Transfers in	<u>15,000</u>
Net cash provided by non-capital financing sources	138,365
Cash flows from investing activities:	
Interest on investments	<u>50</u>
Net increase in cash and cash equivalents	9,247
Cash and cash equivalents at beginning of year	<u>3,246</u>
Cash and cash equivalents at end of year	\$ <u><u>12,493</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (155,846)
Commodities used	21,661
Depreciation	7,624
Decrease in inventories	1,581
(Decrease) in accounts payable	(47)
(Decrease) in salaries and benefits payable	(3,558)
(Decrease) in deferred revenue	<u>(583)</u>
Net cash used in operating activities	\$ <u><u>(129,168)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$21,661 of federal commodities.

See notes to financial statements
MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2004

	Private Purpose Trust <u>Scholarshi p</u>	Agency <u></u>
Assets		
Cash and pooled investments	\$ 36,992	\$ 7,411
Accrued interest receivable	<u>1,041</u>	<u>3</u>
Total assets	38,033	7,414
Liabilities		
Due to other governments	<u>0</u>	<u>7,414</u>
Total liabilities	<u>0</u>	<u>7,414</u>
Net Assets		
Reserved for scholarships	\$ <u><u>38,033</u></u>	\$ <u><u>0</u></u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2004**

	Private Purpose Trust <u>Scholarshi p</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,500
Interest	2,167
Miscellaneous	193
Transfers from other funds	<u>183</u>
Total additions	4,043
Deductions:	
Support services:	
Scholarships awarded	<u>2,500</u>
Change in net assets	1,543
Net assets beginning of year	<u>36,490</u>
Net assets end of year	\$ <u><u>38,033</u></u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 1 Summary of Significant Accounting Policies

The Missouri Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Missouri Valley, Iowa and the predominately agricultural territory in Harrison and Shelby Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Missouri 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 Missouri Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – (continued)

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation - (continued)

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

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

C. Measurement Focus and Basis of Accounting

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

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 1 Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting - (continued)

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

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

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

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

D. Assets, Liabilities and Fund Equity

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. Cash equivalents not meeting the definition of cash equivalents at June 30, 2004, included a corporate bond with market value of \$19,420.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity - (continued)

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 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	500
Improvements other than buildings	500

Furniture and equipment

500

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity - (continued)

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

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

Salaries and Benefits Payable – Payroll and related expenditures for several teachers who are due additional compensation from a government program, and payroll expenditures for one teacher who will receive his salary over three quarters, 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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity - (continued)

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

NOTE 2 Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,160,318 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

The District's investments at June 30, 2004 are as follows:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Corporate Bond	\$ 19,414	\$ 19,420
Iowa Schools Joint Investment Trust	1,160,318	1,160,318

Refunding Bond Escrow Account	<u>3,239,403</u>	<u>3,283,399</u>
	\$ <u>4,419,135</u>	\$ <u>4,463,137</u>

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 3 Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise Fund:	General Fund	\$ <u>15,000</u>

NOTE 4 Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	06/30/04	06/30/05	\$ <u>548,959</u>	<u>0</u>	<u>546,000</u>	<u>7,573</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the stamped warrants.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.00 %	2.4630 %

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 5 Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 61,850	0	0	61,850
Capital assets being depreciated:				
Buildings	9,050,229	0	0	9,050,229
Improvements other than buildings	615,649	0	0	615,649
Furniture and equipment	2,064,936	193,053	86,118	2,171,871
Total capital assets being depreciated	<u>11,730,814</u>	<u>193,053</u>	<u>86,118</u>	<u>11,837,749</u>
Less accumulated depreciation for:				
Buildings	535,083	181,083	0	716,166
Improvements other than buildings	95,754	32,501	0	128,255
Furniture and equipment	779,592	290,797	86,118	984,271
Total accumulated depreciation	<u>1,410,429</u>	<u>504,381</u>	<u>86,118</u>	<u>1,828,692</u>
Total capital assets being depreciated, net	<u>10,320,385</u>	<u>(311,328)</u>	<u>0</u>	<u>10,009,057</u>
Governmental activities capital assets, net	<u>\$ 10,382,235</u>	<u>(311,328)</u>	<u>0</u>	<u>10,070,907</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 163,053	0	0	163,053
Less accumulated depreciation	113,405	7,624	0	121,029
Business-type activities capital assets, net	<u>\$ 49,648</u>	<u>7,624</u>	<u>0</u>	<u>42,024</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 127,464
Other	87,792
Support Services:	
Administration	4,530
Operation and maintenance of plant	3,584
Transportation	<u>67,427</u>
	290,797
Unallocated depreciation	<u>213,584</u>
Total governmental activities depreciation expense	<u>\$ 504,381</u>
Business-type activities:	
Food services	<u>\$ 7,624</u>

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 6 Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,975,000	0	245,000	3,730,000	260,000
Crossover refunding bonds	3,380,000	0	0	3,380,000	0
Early retirement	223,470	91,125	0	314,595	66,349
Compensated absences	1,725	3,596	0	5,321	5,321
Total	\$ 7,580,195	94,721	245,000	7,429,916	331,670

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 1996			
	Interest Rates	Principal	Interest	Total
2005	5.75 %	\$ 260,000	\$ 202,230	\$ 462,230
2006	5.10 %	270,000	187,280	457,280
2007-2015	0.00 %	3,200,000	0	3,200,000
		\$ 3,730,000	\$ 389,510	\$ 4,119,510

Crossover Refunding Bond

Details of the District's June 30, 2004 crossover refunding bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2003			
	Interest Rates	Principal	Interest	Total
2005	3.15 %	\$ 0	\$ 106,650	\$ 106,650
2006	3.15 %	0	106,650	106,650
2007	2.30 %	350,000	106,650	456,650
2008	2.70 %	355,000	98,600	453,600
2009	3.00 %	365,000	89,015	454,015
2010-2014	3.35 – 3.45 %	2,020,000	260,268	2,280,268
2015	3.50 %	290,000	10,150	300,150
		\$ 3,380,000	\$ 777,983	\$ 4,157,983

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 6 Long-Term Liabilities (continued)

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is that the employee may remain a part of the District's group health and major medical insurance coverage and have their individual insurance policy payments in an amount set by the Board paid by the District until they reach the age of sixty-five years. Effective July 1, 2002, the amount to be paid for new retiree's insurance shall not exceed the sum of \$3,400 per year per retiree. Early retirement benefits paid during the year ended June 30, 2004 totaled \$52,033.

NOTE 7 Crossover Refunding Debt

On May 18, 2003, the District issued crossover refunding bonds in the amount of \$3,380,000 to pay off \$3,200,000 of outstanding general obligation bonds in May, 2007. The proceeds of the crossover refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest on the new crossover refunding bonds. The escrow account is reported in the financial statements as an investment at market value of \$3,283,399.

NOTE 8 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 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$230,352, \$223,561 and \$219,491, respectively, equal to the required contributions for each year.

NOTE 9 Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage

limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 10 Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$278,766 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 11 Related Party Transactions

The School District purchased goods and services from several businesses owned by employees and employees' spouses. The following total amounts were paid to each of the businesses:

Purchased Goods or Services	Amount
Office supplies and printing	\$ 9,247
Lawn care	3,167
Other supplies	580
Rent	200
Services	2,349
	\$ 15,543

NOTE 12 Construction Contracts

As of June 30, 2004, the District had signed three construction contracts for facilities upkeep totaling \$47,376. No payments had been made on these contracts as of June 30, 2004.

NOTE 13 Commitments

The District has contracted for janitorial services through May 31, 2005 for an annual cost of \$132,188, with additional services billed at \$15.00 per hour.

NOTE 14 Deficit Fund Balance

The Special Revenue, Management Levy had a deficit fund of \$2,638 at June 30, 2004. The deficit balance will be eliminated with the collection of property taxes.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 15 Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting. Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			Total
	General	Debt Service	Nonmajor	
Net assets June 30, 2003 as previously reported	\$ 1,236,325	48,523	407,368	1,692,216
Prior period adjustments:				
Short term early retirement payable	0	0	8,699	8,699
Net Refunding bond escrow account	0	3,343,538	0	3,343,538
Net assets, July 1, 2003 as restated for governmental funds	\$ 1,236,325	3,392,061	416,067	5,044,453
GASB 34 adjustments				
Capital assets, net of depreciation				10,382,235
Long-term liabilities:				
Bonds and notes			7,355,000	
Compensated absences			1,725	
Early retirement			223,470	(7,580,195)
Accrued interest payable				(30,285)
Deferred revenue				214
Net assets July 1, 2003, as restated				\$ 7,816,422

REQUIRED SUPPLEMENTARY INFORMATION

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND
 PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004**

	<u>Governmental Fund Types Actual</u>	<u>Proprietary Fund Types Actual</u>	<u>Total Actual</u>
Receipts:			
Local sources	\$ 3,508,707	164,341	3,673,048
State sources	4,125,392	4,669	4,130,061
Federal sources	236,680	118,696	355,376
Total receipts	<u>7,870,779</u>	<u>287,706</u>	<u>8,158,485</u>
Disbursements:			
Instruction	5,126,998	0	5,126,998
Support services	2,186,195	0	2,186,195
Non-instructional programs	0	302,663	302,663
Other expenditures	840,166	0	840,166
Total disbursements	<u>8,153,359</u>	<u>302,663</u>	<u>8,456,022</u>
Excess (deficiency) of receipts over (under) disbursements	(282,580)	(14,957)	(297,537)
Other financing uses, net	<u>(15,000)</u>	<u>15,000</u>	<u>0</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(297,580)	43	(297,537)
Balances beginning of year	<u>5,104,942</u>	<u>58,761</u>	<u>5,163,703</u>
Balances end of year	<u>\$ 4,807,362</u>	<u>58,804</u>	<u>4,866,166</u>

See Accompanying Independent Auditors' Report

<u>Budgeted Amounts</u>		<u>Final to Actual Variance Positive (Negative)</u>
<u>Original</u>	<u>Final</u>	
3,807,059	3,807,059	(134,011)
4,385,587	4,385,587	(255,526)
365,000	365,000	(9,624)
<u>8,557,646</u>	<u>8,557,646</u>	<u>(399,161)</u>
6,252,466	5,752,466	625,468
2,232,772	2,732,772	546,577
369,777	369,777	67,114
858,795	858,795	18,629
<u>9,713,810</u>	<u>9,713,810</u>	<u>1,257,788</u>
(1,156,164)	(1,156,164)	858,627
<u>0</u>	<u>0</u>	<u>0</u>
(1,156,164)	(1,156,164)	858,627
<u>1,183,939</u>	<u>1,183,939</u>	<u>3,979,764</u>
<u>27,775</u>	<u>27,775</u>	<u>4,838,391</u>

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 7,870,779	58,395	7,929,174
Expenditures	8,153,359	(79,194)	8,074,165
Net	(282,580)	137,589	(144,991)
Other financing uses	(15,000)	0	(15,000)
Beginning fund balances	5,104,942	(60,489)	5,044,453
Ending fund balances	\$ 4,807,362	77,100	4,884,462

	Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 287,706	21,661	309,367
Expenditures	302,663	17,474	320,137
Net	(14,957)	4,187	(10,770)
Other financing sources	15,000	0	15,000
Beginning fund balances	58,761	(6,970)	51,791
Ending fund balances	\$ 58,804	(2,783)	56,021

See Accompanying Independent Auditors' Report

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004**

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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expense 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 reclassifying budgeted disbursements between the instruction and support services functions by \$500,000.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 YEAR ENDED JUNE 30, 2004**

	Special Revenue		
	Management Levy	Student Activity	Property Plant and Equipment Levy
Assets			
Assets:			
Cash and pooled investments	\$ 952	80,465	148,283
Receivables:			
Property Tax:			
Delinquent	1,426	0	3,720
Succeeding year	182,294	0	48,098
Accrued interest	0	26	0
Due from other governments	0	0	0
Total assets	\$ 184,672	80,491	200,101
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 0	3,032	2,950
Deferred revenue:			
Succeeding year property tax	182,294	0	48,098
Other	5,016	0	0
Total liabilities	187,310	3,032	51,048
Fund equity:			
Unreserved fund balances	(2,638)	77,459	149,053
Total liabilities and fund equity	\$ 184,672	80,491	200,101

See Accompanying Independent Auditors' Report

<u>Capital Projects</u> Local Option Sales and Service Tax	<u>Total</u>
191,396	421,096
0	5,146
0	230,392
0	26
<u>43,616</u>	<u>43,616</u>
<u>235,012</u>	<u>700,276</u>
0	5,982
0	230,392
0	5,016
<u>0</u>	<u>241,390</u>
<u>235,012</u>	<u>458,886</u>
<u>235,012</u>	<u>700,276</u>

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR FUNDS
YEAR ENDED JUNE 30, 2004**

	Special Revenue		
	Management Levy	Student Activity	Property Plant and Equipment Levy
Revenues:			
Local sources:			
Local Tax	\$ 142,329	0	55,082
Other	34,752	248,391	795
State sources	117	0	43
Federal sources	436	0	159
Total revenues	<u>177,634</u>	<u>248,391</u>	<u>56,079</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	87,685	0	0
Other instruction	0	300,445	0
	<u>87,685</u>	<u>300,445</u>	<u>0</u>
Support services:			
Administration services	8,484	0	0
Operation and maintenance of plant services	73,370	0	138,956
Transportation services	12,706	0	0
	<u>94,560</u>	<u>0</u>	<u>138,956</u>
Total expenditures	<u>182,245</u>	<u>300,445</u>	<u>138,956</u>
Excess (deficiency) of revenues over (under) expenditures	(4,611)	(52,054)	(82,877)
Fund balances beginning of year, as restated	<u>1,973</u>	<u>129,513</u>	<u>231,930</u>
Fund balances end of year	<u>\$ (2,638)</u>	<u>77,459</u>	<u>149,053</u>

See Accompanying Independent Auditors' Report

<u>Capital Projects</u> <u>Local Option</u> <u>Sales and</u> <u>Service Tax</u>	<u>Total</u>
0	197,412
182,361	466,298
0	160
0	595
<u>182,361</u>	<u>664,465</u>
0	87,685
0	300,445
<u>0</u>	<u>388,130</u>
0	8,484
0	212,326
0	12,706
<u>0</u>	<u>233,516</u>
<u>0</u>	<u>621,646</u>
182,361	42,819
<u>52,651</u>	<u>416,067</u>
<u>235,012</u>	<u>458,886</u>

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGE IN SPECIAL REVENUE - STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Elementary Outdoor	\$ 1,287	85	0	1,372
MS Student Activity Acct	295	901	901	295
HS Thespians	1,632	3,844	3,664	1,812
HS Vocal music	88	2,730	2,818	0
MS Vocal music	303	192	364	131
Elementary vocal	903	0	293	610
HS Swing choir	3	514	517	0
MS Personal Development	0	232	0	232
HS Band	17	142	91	68
MS Band	63	470	492	41
Athletics	2,721	37,208	38,604	1,325
MS Athletics	1,804	10,332	9,452	2,684
Boys cross country	751	271	638	384
Girls cross country	781	(319)	164	298
HS Student Don	308	1,883	2,191	0
Coed golf team	588	1,551	2,139	0
HS boys basketball	596	6,244	5,186	1,654
HS football	(2,519)	9,432	4,172	2,741
HS baseball	223	2,889	1,917	1,195
A&B club	986	4,143	4,220	909
HS boys track	0	1,598	1,482	116
MS track	5	604	394	215
MS jump for heart	2	509	509	2
HS wrestling	66	1,093	1,159	0
HS girls basketball	1,050	3,066	1,951	2,165
HS volleyball	952	2,786	3,598	140
MS volleyball	12	301	313	0
HS softball	309	3,435	3,663	81
MS softball	160	180	340	0
HS girls track	210	988	780	418
Kuhlmann tech acct	1,366	228	232	1,362
Drill team	0	1,340	971	369
Art Club	402	406	775	33
Future homemakers	613	4,177	3,655	1,135
Health Occ	108	4,960	4,534	534
Elementary Library Maint	0	245	0	245
Key club	797	4,243	4,346	694
Science club	283	360	237	406
MS leadership	946	1,646	1,336	1,256
Spanish	1,913	1,105	1,379	1,639
Class of 2007	0	295	0	295
Class of 2004	536	2,130	1,997	669
Class of 2005	747	22,351	20,801	2,297
Class of 2006	350	265	54	561
Subtotal	21,657	141,055	132,329	30,383

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGE IN SPECIAL REVENUE - STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2004**

	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Subtotal carried forward	\$ 21,657	141,055	132,329	30,383
Technology projector	90	30	0	120
Alumni	69	24	0	93
SADD Chapter	233	1,546	1,135	644
Math club	203	2,170	2,216	157
Dream Program	186	125	25	286
MS student council	5,427	7,417	9,773	3,071
MS cheerleaders	66	95	72	89
HS cheerleaders	0	4,105	3,915	190
National Honor Society	0	1,993	1,899	94
Social Studies Inv	62,534	(58,538)	0	3,996
Social Studies Student	100	81,105	81,205	0
Special Olympics	2,589	7,971	7,902	2,658
HS Student Council	361	640	706	295
Boys basketball club	84	5,597	5,056	625
Football club	3,461	20,307	18,430	5,338
Baseball club	1,398	8,444	5,567	4,275
Boys track club	2,977	(2,900)	0	77
HS Media	1,163	806	1,233	736
Girls Basketball Club	16	621	612	25
Volleyball club	(377)	8,839	7,268	1,194
Student tech assoc	659	926	727	858
Softball club	3,453	1,779	4,094	1,138
Girls cross country	163	2,066	2,075	154
Jump rope for heart	147	0	13	134
Athletic safety equip	1,795	1,730	1,385	2,140
MS resale supplies	614	0	0	614
5 th grade club	371	1,050	1,112	309
HS resale supplies	1,701	222	535	1,388
Activity fund inv	6,691	(2,750)	0	3,941
HS activity fund	804	2,083	2,074	813
MS activity fund	1,666	(12)	385	1,269
Elementary activity	2,654	821	1,670	1,805
MS Accelerated reader acct	591	0	0	591
Band trip students	2,248	0	1,976	272
Annual/yearbook	1,065	4,434	165	5,334
Post prom	705	3,141	3,846	0
MV Home Page	1,949	1,449	1,045	2,353
Total	\$ 129,513	248,391	300,445	77,459

See Accompanying Independent Auditors' Report

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2004**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 8,028	45,282	45,899	7,411
Interest receivable	3	3	3	3
Total assets	<u>8,031</u>	<u>45,285</u>	<u>45,902</u>	<u>7,414</u>
Liabilities				
Due to other governments	8,031	45,285	45,902	7,414
Total liabilities	<u>\$ 8,031</u>	<u>45,285</u>	<u>45,902</u>	<u>7,414</u>

See Accompanying Independent Auditors' Report

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURE BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FOUR YEARS**

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local Tax	\$ 2,749,983	2,478,377	2,451,733	2,303,446
Tuition	169,566	138,972	144,821	125,709
Other	591,121	642,113	689,836	668,851
State sources	4,118,335	4,157,802	3,874,373	3,815,407
Federal sources	257,648	204,344	222,672	185,577
Total	<u>7,886,653</u>	<u>7,621,608</u>	<u>7,383,435</u>	<u>7,098,990</u>
Expenditures:				
Instruction:				
Regular instruction	3,058,496	2,759,397	2,793,794	2,500,157
Special instruction	1,227,444	1,157,520	1,039,645	972,546
Other instruction	759,754	661,973	726,341	679,574
Support services:				
Student services	161,213	194,270	189,784	189,035
Instructional staff services	187,007	169,342	141,332	163,038
Administration services	794,842	748,592	750,458	728,216
Operation and maintenance of plant services	773,151	679,449	724,362	786,306
Transportation services	264,756	251,999	282,499	297,180
Other expenditures:				
Facilities acquisition	0	0	0	8,964
Long-term debt:				
Principal	245,000	230,000	220,000	205,000
Interest and fiscal charges	323,736	230,080	242,493	254,205
AEA flowthrough	278,766	291,704	286,945	282,866
Total	<u>\$ 8,074,165</u>	<u>7,374,326</u>	<u>7,397,653</u>	<u>7,067,087</u>

See Accompanying Independent Auditors' Report

August 18, 2004

**Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance**

The Board of Education of
Missouri Valley Community School District
Missouri Valley, IA 51555

We have audited the financial statements of the Missouri Valley Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 18, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Missouri Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness in a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

Continued. . .

August 18, 2004
Missouri Valley Community School District
Internal Control Report

Compliance

As part of obtaining reasonable assurance about whether Missouri 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 grants, 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 noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved except for item II-E-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Missouri Valley Community School District, and other parties to whom the Missouri Valley Community School District may report. 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 Missouri 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.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and posting of cash receipts for the operating fund are all performed by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures 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.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Officials depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 did not exceed the amended certified budget amounts.
- II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Barbara Liljedahl, Teacher Husband owns Liljedahl Ag	Supplies	\$ 260
Joyce Lehman, Teacher Husband owns Lehman Printing	Office supplies and printing	9,247
Jim Hornbeck, Teacher Owner C.J. Future Lawns	Seed and fertilizer	3,167
Jackie Marcum, Teacher Owner Jackie’s Custom Clothing	T-Shirts	320
Carol Rodewald, Food Services Dir. Owner Carol’s Catering	Catering services	383
Kim Kolhof, Associate Owner Tamarack Bowling	Rental of facilities	200
Mike Nielsen, Supervisor Son owns Nielsen’s Construction	Construction Services	<u>1,966</u>
		<u>\$ 15,543</u>

In accordance with an Attorney General’s opinion dated November 9, 1976, these transactions with spouses, teachers and employees do not appear to represent a conflict of interest.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part II: Other Findings Related to Statutory Reporting - Continued:

II-F-04 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-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

II-J-04 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-04 Financial Condition – The Special Revenue Fund, Management Levy had a deficit balance at June 30, 2004 of \$2,638.

Recommendation – The District should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Response – The deficit was due to additional retiree costs. The deficit will be eliminated with property taxes.

Conclusion – Response accepted.

NEWS RELEASE

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT MISSOURI VALLEY, IOWA 51555

Schroer & Associates, P.C. today released an audit report on the Missouri Valley Community School District in Missouri Valley, Iowa.

The financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Also included is Management's Discussion and Analysis of the District's financial statements.

The District's revenues totaled \$8,227,385 for the year ended June 30, 2004, a 3.89 percent increase from the prior year. Revenues included \$2,754,196, in local tax, charges for service of \$651,261, operating grants, contributions and restricted interest of \$1,018,691, unrestricted interest of \$12,138, and other general revenues of \$3,791,099.

Expenses for District operation totaled \$8,557,656, an 11.2 percent increase from the prior year. Expenses included \$3,173,056 for regular instruction, \$1,227,444 for special instruction, and \$802,570 for administrative services.

A copy of the audit report is available for review in the office of the Auditor of State and in the District Secretary's office.

