

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

JUNE 30, 2005

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City of Missouri Valley

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doris Stillwell	Mayor	January 2006
Scott Cihacek	Council Member	January 2006
David Davis	Council Member	January 2006
Sherman Struble	Council Member	January 2008
Roger Marshall	Council Member	January 2008
Dan Kougias	Council Member	January 2008
Robert J. Alborn	City Clerk	Indefinite
Jan Guill	Treasurer	Indefinite
Ann Long	Attorney	Indefinite

City of Missouri Valley

October 5, 2005

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Missouri Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 5, 2005 on our consideration of the City of Missouri Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Continued...

Independent Auditors' Report
City of Missouri Valley

Management's discussion and analysis and budgetary comparison information on pages 7 through 11 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Missouri Valley'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, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, 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

City of Missouri Valley 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased by \$1,388,200 from fiscal year 2004 to fiscal 2005. Property tax decreased by \$109,872. In addition, contributions for the library construction caused 2004 receipts to be higher.
- Disbursements decreased \$1,296,912 in fiscal 2005 from fiscal 2004 due to completion of library construction project.
- The City's total cash basis net assets increased \$298,322 from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased \$251,700, and the assets of the business type activities decreased by \$46,622.

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 City's financial activities.

The government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City'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 the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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 City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Tax, 3) the Capital Projects Fund, and 4) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, water capital projects, and sewer funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased by \$145,487 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year Ended	
	June 30, 2005	June 30, 2004
Receipts:		
Property tax	\$ 947,298	1,057,170
Tax increment financing collections	274,845	259,246
Other city tax	266,249	261,186
Licenses and permits	8,278	11,173
Use of money and property	28,913	50,951
Intergovernmental	319,538	300,177
Charges for service	163,518	179,290
Special assessments	-	572
Miscellaneous	<u>190,965</u>	<u>1,468,039</u>
Total receipts	2,199,604	3,587,804
Disbursements:		
Operating:		
Public safety	377,686	411,606
Public works	377,457	442,890
Culture and recreation	428,532	353,463
General government	242,345	211,421
Debt service	322,746	360,600
Capital project	<u>199,138</u>	<u>1,464,836</u>
Total disbursements	<u>1,947,904</u>	<u>3,244,816</u>
Excess of receipts over disbursements	251,700	342,988
Other financing sources (uses):		
Operating transfers in	304,804	525,363
Operating transfers out	<u>(304,804)</u>	<u>(525,363)</u>
Total other financing sources	<u>-</u>	<u>-</u>
Net changes in cash balances	251,700	342,988
Cash balances beginning of year	<u>2,258,530</u>	<u>1,915,542</u>
Cash balances end of year	\$ <u>2,510,230</u>	<u>2,258,530</u>

The City's property tax rates for 2005 are at \$16.76142 per \$1,000 valuation which is an increase from the tax rate for fiscal 2004 of 16.68113.

The cost of all governmental activities this year was \$1,947,904. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$1,315,683. The City paid for this with property taxes, local option sales taxes, and other receipts.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended	
	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Operating receipts:		
Charges for service	\$ 763,297	778,875
Miscellaneous	<u>10,595</u>	<u>12,250</u>
Total operating receipts	773,892	791,125
Operating disbursements:		
Business type activities	<u>609,399</u>	<u>631,371</u>
Total operating disbursements	<u>609,399</u>	<u>631,371</u>
Excess of operating receipts over operating disbursements	164,493	159,754
Non-operating receipts (disbursements):		
Interest on investments	4,535	4,535
Miscellaneous	(8,972)	(8,307)
Capital projects	(2,918)	(23,431)
Debt service	<u>(110,516)</u>	<u>(160,733)</u>
Total non-operating receipts (disbursements)	<u>(117,871)</u>	<u>(187,936)</u>
Excess (deficiency) of receipts over (under) disbursements	46,622	(28,182)
Cash balances beginning of year	<u>889,885</u>	<u>918,067</u>
Cash balances end of year	<u>936,507</u>	<u>889,885</u>

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget one.

DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$1,657,528 in bonds and other long-term debt, compared to approximately \$1,925,248 last year, as shown below.

Outstanding Debt at Year End		
	June 30,	
	<u>2005</u>	<u>2004</u>
General Obligation notes	\$ 822,528	967,248
TIF Revenue bonds	180,000	230,000
Revenue notes	<u>655,000</u>	<u>728,000</u>
Total	<u>\$ 1,657,528</u>	<u>1,925,248</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately \$822,528 is significantly below its constitutional debt limit of approximately \$3,200,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Missouri Valley will be setting the 2006 budget at a high rate due to the factor of economic development. Carry-On Trailer is expanding and a new motel and diner are being built. That affects the City budget due to the higher cost of services, but will be offset by property taxes to the City. Also, the City intends to begin construction of a new water treatment plant, which will increase revenues due to grant and loan proceeds, but will also increase expenditures due to construction expenses. However, the rise in fuel prices and major medical health insurance costs, as well as the State roll back, are negative economic factors which must be considered in the fiscal 2006 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert J. Alborn, City Clerk/Administrator, 223 East Erie Street, Missouri Valley, Iowa.

City of Missouri Valley
Basic Financial Statements

City of Missouri Valley
 Statement of Activities and Net Assets – Cash Basis
 As of and for the year ended June 30, 2005

	Disbursements	Charges for Service	Program Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 377,686	22,087	700
Public works	377,457	61,270	267,681
Culture and recreation	428,532	87,365	99,216
General government	242,345	2,989	2,500
Debt service	322,746	-	-
Capital project	199,138	-	-
Total governmental activities	1,947,904	173,711	370,097
Business type activities:			
Water	504,021	544,485	-
Sewer	227,784	229,407	-
Total business type activities	731,805	773,892	-
Total	\$ 2,679,709	947,603	370,097
General Receipts:			
Property tax levied for:			
General purposes			
Tax increment financing			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Miscellaneous			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets beginning of year, as restated			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Streets			
Local option sales tax			
Capital projects			
Debt service			
Other purpose			
Meter deposits			
Permanent fund			
Unrestricted			
Total cash basis net assets			

See notes to financial statements

Receipts	Net (Disbursement) Receipts and Changes In Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
Capital Grants			
Contributions			
and Restricted			
Interest			
-	(354,899)	-	(354,899)
-	(48,506)	-	(48,506)
-	(241,951)	-	(241,951)
-	(236,856)	-	(236,856)
-	(322,746)	-	(322,746)
88,411	(110,727)	-	(110,727)
<u>88,411</u>	<u>(1,315,685)</u>	<u>-</u>	<u>(1,315,685)</u>
-	-	40,464	40,464
-	-	1,623	1,623
-	-	42,087	42,087
<u>88,411</u>	<u>(1,315,685)</u>	<u>42,087</u>	<u>(1,273,598)</u>
\$	846,174	-	846,174
	274,845	-	274,845
	215,376	-	215,376
	151,997	-	151,997
	19,333	4,535	23,868
	59,660	-	59,660
	<u>1,567,385</u>	<u>4,535</u>	<u>1,571,920</u>
	251,700	46,622	298,322
	<u>2,258,530</u>	<u>889,885</u>	<u>3,148,415</u>
\$	<u>2,510,230</u>	<u>936,507</u>	<u>3,446,737</u>
\$	438,827	-	438,827
	576,699	-	576,699
	43,273	-	43,273
	1,056,475	181,775	1,238,250
	200,421	-	200,421
	-	102,234	102,234
	83,352	-	83,352
	<u>111,183</u>	<u>652,498</u>	<u>763,681</u>
\$	<u>2,510,230</u>	<u>936,507</u>	<u>3,446,737</u>

City of Missouri Valley
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2005

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
Receipts			
Property tax	\$ 538,809	-	-
Tax increment financing collections	-	-	-
Other city tax	104,219	-	151,997
Licenses and permits	8,278	-	-
Use of money and property	28,173	-	-
Intergovernmental	51,857	267,681	-
Charges for service	163,518	-	-
Miscellaneous	96,096	-	-
Total receipts	990,950	273,548	151,997
Disbursements			
Operating:			
Public safety	607,191	-	-
Public works	122,011	207,460	-
Culture and recreation	393,521	-	-
General government	217,416	-	-
Debt service	8,781	-	-
Capital project	-	-	-
Total disbursements	1,048,920	207,460	-
Excess (deficiency) of receipts over (under) disbursements	57,970	66,088	151,997
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(154,000)	(29,959)	-
Total other financing sources (uses)	(154,000)	(29,959)	-
Net change in cash balances	(211,970)	36,129	151,997
Cash balances beginning of year, restated	323,153	402,698	424,702
Cash balances end of year	\$ 111,183	438,827	576,699
 Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	111,183	-	-
Special revenue funds	-	438,827	576,699
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 111,183	438,827	576,699

See notes to financial statements

Exhibit B

Debt Service	Other Nonmajor Governmental Funds	Total
210,557	197,932	947,298
-	274,845	274,845
4,819	5,214	266,249
-	-	8,278
-	740	28,913
-	-	319,538
-	-	163,518
-	89,002	190,965
<u>215,376</u>	<u>567,733</u>	<u>2,199,604</u>
-	70,495	377,686
-	47,986	377,457
-	35,011	428,532
-	24,929	242,345
313,965	-	322,746
-	199,138	199,138
<u>313,965</u>	<u>377,559</u>	<u>1,947,904</u>
(98,589)	190,174	251,700
304,804	-	304,804
-	(120,845)	(304,804)
<u>304,804</u>	<u>(120,845)</u>	<u>-</u>
206,215	69,329	251,700
<u>850,260</u>	<u>257,717</u>	<u>2,258,530</u>
<u>1,056,475</u>	<u>327,046</u>	<u>2,510,230</u>
1,056,475	-	1,056,475
-	-	111,183
-	200,421	1,215,947
-	43,273	43,273
-	83,352	83,352
<u>1,056,475</u>	<u>327,046</u>	<u>2,510,230</u>

City of Missouri Valley
 Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Statement of Activities and Net Assets -
 Governmental Funds
 As of and for the year ended June 30, 2005

Total governmental funds cash balances (Page 16)	\$	2,510,230
<i>Adjustments</i>		
None		-
Cash basis net assets of governmental activities (Page 14)	\$	2,510,230
Net change in cash balances (Page 16)	\$	251,700
<i>Adjustments</i>		
None		-
Change in cash balance of governmental activities (Page 14)	\$	251,700

See notes to financial statements

City of Missouri Valley
 Statement of Cash Receipts, Disbursements and Changes in Cash Balances
 Proprietary Funds
 As of and for the year ended June 30, 2005

	<u>Water</u>	<u>Water Capital Project</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 533,890	-	229,407	763,297
Miscellaneous	10,595	-	-	10,595
Total operating receipts	<u>544,485</u>	<u>-</u>	<u>229,407</u>	<u>773,892</u>
Operating disbursements:				
Business type activities	<u>492,131</u>	<u>-</u>	<u>117,268</u>	<u>609,399</u>
Total operating disbursements	<u>492,131</u>	<u>-</u>	<u>117,268</u>	<u>609,399</u>
Excess of operating receipts over operating disbursements	52,354	-	112,139	164,493
Non-operating receipts (disbursements):				
Interest on investments	2,168	-	2,367	4,535
Miscellaneous	(8,972)	-	-	(8,972)
Debt service	-	-	(110,516)	(110,516)
Capital projects	-	(2,918)	-	(2,918)
Total non-operating receipts (disbursements)	<u>(6,804)</u>	<u>(2,918)</u>	<u>(108,149)</u>	<u>(117,871)</u>
Net change in cash balances	45,550	(2,918)	3,990	46,622
Cash balances beginning of year	<u>886,861</u>	<u>(394,087)</u>	<u>397,111</u>	<u>889,885</u>
Cash balances end of year	\$ <u><u>932,411</u></u>	<u><u>(397,005)</u></u>	<u><u>401,101</u></u>	<u><u>936,507</u></u>

Cash Basis Fund Balances

Reserved:				
Debt service	\$ -	-	181,775	181,775
Meter deposits	102,234	-	-	102,234
Unreserved	<u>830,177</u>	<u>(397,005)</u>	<u>219,326</u>	<u>652,498</u>
Total cash basis fund balances	\$ <u><u>932,411</u></u>	<u><u>(397,005)</u></u>	<u><u>401,101</u></u>	<u><u>936,507</u></u>

See notes to financial statements

City of Missouri Valley
 Reconciliation of the Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 to the Statement of Activities and Net Assets –
 Proprietary Funds
 As of and for the year ended June 30, 2005

Total enterprise funds cash balances (Page 18)	\$	936,507
<i>Adjustments</i>		
None		-
Cash basis net assets of business type activities (Page 14)	\$	936,507
Net change in cash balances (Page 18)	\$	46,622
<i>Adjustments</i>		
None		-
Change in cash balance of business type activities (Page 14)	\$	46,622

See notes to financial statements

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (1) Summary of Significant Accounting Policies

The City of Missouri Valley is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Missouri Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill Commission and Harrison County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which 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 services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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 preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for accumulation of local option sales tax collected by the State to be expended in accordance with statutory and local provisions.

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

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Water Fund – Capital Projects Account accounts for all resources used in the construction of capital facilities for the enterprise fund.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Missouri Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the culture and recreation and capital projects functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2003, to compute the amounts which became liens on property on July 1, 2004. These taxes were due and payable in two installments on September 30, 2004 and March 31, 2005, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 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 City 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 City Council; 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 carrying amount of cash at June 30, 2005 is \$3,134,411. This amount consists of checking accounts, money market and savings accounts, and certificates of deposit. Of this amount, \$3,102,355 is covered by federal depository insurance and \$32,056 is covered by collateral held by the city's agent in the City's name, except for \$185 which is petty cash.

At June 30, 2005, the City had the following investments:

Type	Carrying Amount	Fair Value
Iowa Municipal Bonds	\$ 10,000	\$ 9,954
Federal Home Loan Bond	170,005	169,284
Public Service Co. Oklahoma Note	51,480	51,920
Insured Unit Trusts	23,762	25,346
Insured Municipal Funds	42,215	44,748
U.S. Government Securities	<u>14,864</u>	<u>14,623</u>
	<u>\$ 312,326</u>	<u>\$ 315,875</u>

Credit risk

The City's investments listed above are rated as a Category 1 which are insured or registered securities, or securities held by the City or its agent, in the City's name.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

The City's cash, which consists of cash in bank and investments, totaled \$3,446,737 at June 30, 2005.

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds, urban renewal tax increment financing revenue bonds, and revenue notes are as follows:

Year Ended June 30,	General Obligation Bonds & Notes Principal	Urban Renewal Tax Increment Financing (TIF) Bonds Principal	Revenue Notes Principal	Total Principal
2006	\$ 209,498	\$ 55,000	\$ 79,000	\$ 343,498
2007	169,100	55,000	85,000	309,100
2008	169,253	35,000	90,000	294,253
2009	89,677	35,000	91,000	215,677
2010	80,000	-	97,000	177,000
2011 - 2012	<u>105,000</u>	<u>-</u>	<u>213,000</u>	<u>318,000</u>
Total	<u>\$ 822,528</u>	<u>\$ 180,000</u>	<u>\$ 655,000</u>	<u>\$ 1,657,528</u>

Year Ended June 30,	Interest	Interest	Interest	Interest
2006	\$ 40,408	\$ 13,303	\$ 33,129	\$ 86,840
2007	30,001	9,514	28,851	68,366
2008	21,572	5,688	24,214	51,474
2009	13,199	2,852	19,364	35,415
2010	9,030	-	14,292	23,322
2011 - 2012	<u>7,950</u>	<u>-</u>	<u>11,857</u>	<u>19,807</u>
Total	<u>\$ 122,160</u>	<u>\$ 31,357</u>	<u>\$ 131,707</u>	<u>\$ 285,224</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (3) Bonds and Notes Payable - Continued

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity, and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to separate revenue note sinking funds for the purpose of making the note principal and interest payments when due.
- c) The revenue note ordinances require the following balances be placed in revenue note reserve funds:
 1. Water Reserve Fund - \$30,000
 2. Sewer Reserve Fund – the lesser of all sewer bond and interest payments due the next succeeding year or ten percent of the principal amount of the bonds outstanding, plus \$75,000.

The City has complied with the revenue note provisions.

The City has a legal debt limit of approximately \$3,169,696 which was not exceeded during the year ended June 30, 2005.

NOTE (4) Pension and Retirement Benefits

The City 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 3.7% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$43,782, \$43,834, and \$44,735 respectively, equal to the required contributions for each year.

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (5) Leases

In December 2003, the City entered into a lease agreement for a piece of equipment for \$198 per month for 48 months. Rent expense for the operating lease for the year ended June 30, 2005, was \$2,376. Future minimum lease payments are as follows:

For the year ended:		
06-30-06	\$	2,376
06-30-07		<u>1,188</u>
Total		<u><u>3,564</u></u>

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2005, primarily relating to the General Fund is as follows:

<u>Type of Benefit</u>	<u>Amount</u> <u>June 30, 2005</u>
Vacation	\$ <u><u>23,080</u></u>

This liability is computed based on rates of pay effective as of June 30, 2005.

NOTE (7) Industrial Development Revenue Bonds

The City has issued a total of \$1,750,000 of Industrial Development Revenue Bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$5,000 is outstanding at June 30, 2005. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

NOTE (8) Community Development Block Grant Ended August 31, 1984

The City of Missouri Valley managed a Community Development Block Grant which was used to rehabilitate homes of low-income persons in the City. The Grant agreement provided that ten percent of the cost of rehabilitating each home would be forgiven for each year the homeowner resided in the home. If the homeowner moved before the entire cost of the rehabilitation was forgiven, the remaining costs were refunded to the City. The City has used the refunds to rehabilitate other homes in the area, and to promote business growth in the City of Missouri Valley, Iowa.

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital, and, if insufficient, by the subsequent year's member contributions.

The city's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were \$70,821.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool, up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (9) Risk Management - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claim shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (10) Contingent Liabilities

Economic Development Loan

During the year ended June 30, 2001, the City entered into a community economic betterment loan agreement with the Iowa Department of Economic Development for \$250,000. The loan proceeds were received by the City and disbursed to a company who in turn became liable for the loan payments. The Company is remitting the payment directly to the Iowa Department of Economic Development. The City is liable if the Company fails to make the proper payments.

Under the terms of the original loan agreement, \$75,000 was due in monthly installments of \$893, with no interest to be paid. In addition, \$175,000 is forgivable if the company meets certain job creation and retention terms. During the fiscal year 2005, the company made \$6,250 in payments on the loan.

In April 2005, The City entered into a new loan with Iowa Department of Economic Development for the balance of the original note which was \$22,321, with interest being charged at 1.218%. The company made the required payments of \$941.90 per month in May and June, 2005. The outstanding loan balance at June 30, 2005 is \$20,482.

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (11) Commitments

Public Transit Contract

The City entered into an agreement with SWIPCO whereby the City agrees to contribute a maximum of \$5,000 towards a taxi coupon program which provides transportation for the elderly and handicapped within the City's geographical area. This contract is effective July 1, 2005 through June 30, 2006.

Iowa Department of Transportation Agreement

The Iowa Department of Transportation completed an overlay project on U.S. Highway 30 and is allowing the City to reimburse the Department for the City's share of the project over a 3-year period. No interest is being charged on this agreement. Payments of \$13,983 each were made in January 2003 and 2004, and a final payment of \$13,983 was made in January 2005. The payments are made from Road Use funds.

Water Tank Maintenance Contract

In January, 2003, the City entered into an agreement with Utility Service Co., Inc. for total care and maintenance of the 750,000 gallon elevated water storage tower. The full renovation cost and maintenance fees are spread over the initial three years of the contract for an annual cost of \$69,956 each year. In year four, the cost will be the established base fee of \$19,075. The contract can be renewed every three years. The City made the required payment of \$69,956 in January 2005.

NOTE (12) Missouri Valley Development Corporation Agreement

In April 1999, the City loaned the Missouri Valley Development Corporation \$25,000 for the construction of a commercial building within the City of Missouri Valley. A promissory note was signed in December, 1999, with the Corporation agreeing to repay the loan as follows: annual payments of interest only in the amount of \$1,375 per year. Beginning in the year 2005 through 2014, the sum of \$2,451.25 will be repaid each year. In the year 2015 the entire balance, principal and accrued interest will be due in full.

In November 2004, the Corporation sold the building. The City agreed to extend the \$25,000 loan to the Corporation for future projects. Interest will continue to accrue at 5.5%. The City did not receive an interest payment during the year ended June 30, 2005.

Additionally, the City agreed to a tax rebate to the occupant of the building for eight years. The City agreed to pay the occupant 80% of the taxes collected on the property in the first year, with the percentage decreasing 10% per year for the next seven years.

In February 2005, the City remitted the required tax rebate payment to the occupant in the amount of \$5,464.

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (13) Construction Contract Commitments

The City had the following commitments at June 30, 2005 for construction projects:

Project	Contract Amount	Paid to Date	Remaining Commitment	Retainage Payable
Library project:				
Construction	\$ 1,546,846	\$ 1,469,504	\$ 77,342	\$ 77,342
Engineer – Basic Services	149,917	149,917	-	-
Engineer – Furnishings Design	45,000	45,000	-	-
Lift Station Improvement:				
Construction	82,000	1,297	<u>80,703</u>	<u>68</u>
			<u>\$ 158,045</u>	<u>\$ 77,410</u>

NOTE (14) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Road Use	\$ 29,959
	Tax Increment financing collection	<u>274,845</u>
		304,804
Capital Project:		
Library Construction	General	154,000
Enterprise:	Enterprise:	
Sewer sinking	Sewer	<u>110,516</u>
		<u>\$ 569,320</u>

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

NOTE (15) Deficit Fund Balances

The Enterprise Fund, Water Treatment Plant Capital Projects Fund had a deficit fund balance of \$397,005 at June 30, 2005. The deficit was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants and loans.

City of Missouri Valley
Notes to Financial Statements
June 30, 2005

NOTE (16) Subsequent Events

The City signed a lease agreement in July 2005, for a piece of equipment with monthly payments of \$8,161 beginning August 12, 2005.

The City was awarded a Community Development Block Grant in the amount of \$600,000 for water and sewer improvements.

The City was also awarded a Community Development Block Grant in the amount of \$307,500 on behalf of a local business enterprise for expansion.

NOTE (17) Prior Period Restatement

The General Fund beginning cash balance was restated to \$323,153. The restatement resulted from a correction to carrying value of investments for the library account. The effect of the restatement was an increase in investment carrying value and income of \$137,446 an increase in grant income of \$60,000 in the prior period, and the addition of a police checking account of \$55.

General Fund cash balance June 30, 2004, as previously reported	\$ 125,652
Prior period adjustment – investments	197,446
Prior period adjustment – police checking account	<u>55</u>
General Fund cash balance July 1, 2004, as restated	<u>\$ 323,153</u>

Required Supplementary Information

City of Missouri Valley
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Net</u>
Receipts			
Property tax	\$ 947,298	-	947,298
Tax increment financing collections	274,845	-	274,845
Other city tax	266,249	-	266,249
Licenses and permits	8,278	-	8,278
Use of money and property	28,913	4,535	33,448
Intergovernmental	319,538	-	319,538
Charges for service	163,518	763,297	926,815
Special assessments	-	-	-
Miscellaneous	190,965	10,595	201,560
Total receipts	<u>2,199,604</u>	<u>778,427</u>	<u>2,978,031</u>
Disbursements			
Public safety	377,686	-	377,686
Public works	377,457	-	377,457
Health and social services	-	-	-
Culture and recreation	428,532	-	428,532
Community and economic development	-	-	-
General government	242,345	-	242,345
Debt service	322,746	-	322,746
Capital projects	199,138	-	199,138
Business type activities	-	731,805	731,805
Total disbursements	<u>1,947,904</u>	<u>731,805</u>	<u>2,679,709</u>
Excess of receipts over disbursements	251,700	46,622	298,322
Balances beginning of year, restated	<u>2,258,530</u>	<u>889,885</u>	<u>3,148,415</u>
Balances end of year	<u>\$ 2,510,230</u>	<u>936,507</u>	<u>3,446,737</u>

See accompanying independent auditors' report

Final Budgeted Amounts	Final to Net Variance
912,712	34,586
123,230	151,615
242,086	24,163
12,750	(4,472)
25,000	8,448
425,927	(106,389)
1,061,814	(134,999)
-	-
<u>199,800</u>	<u>1,760</u>
3,003,319	(25,288)
447,278	69,592
491,659	114,202
6,500	6,500
337,387	(91,145)
20,000	20,000
344,713	102,368
339,046	16,300
20,000	(179,138)
<u>962,603</u>	<u>230,798</u>
<u>2,969,186</u>	<u>289,477</u>
34,133	264,189
<u>2,845,999</u>	<u>302,416</u>
<u>2,880,132</u>	<u>566,605</u>

City of Missouri Valley
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The budget was not amended during the year.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation and the capital projects functions.

Other Supplementary Information

City of Missouri Valley
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2005

	Special Revenue		
	Employee Benefits	Urban Renewal Tax Increment	CDBG Housing Rehab
Receipts:			
Property tax	\$ 197,932	-	-
Tax increment financing collections	-	274,845	-
Other city tax	5,214	-	-
Use of money and property	-	-	640
Miscellaneous	-	-	158
Total receipts	203,146	274,845	798
Disbursements:			
Operating:			
Public safety	70,495	-	-
Public works	47,986	-	-
Culture and recreation	26,511	-	8,500
General government	24,929	-	-
Capital project	-	-	-
Total disbursements	169,921	-	8,500
Excess (deficiency) of receipts over (under) disbursements	33,225	274,845	(7,702)
Other financing sources (uses):			
Operating transfers in (out)	-	(274,845)	-
Net change in cash balances	33,225	274,845	(7,702)
Cash balances beginning of year	116,034	-	58,864
Cash balances end of year	\$ 149,259	-	51,162
 Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 149,259	-	51,162
Capital project fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 149,259	-	51,162

See accompanying independent auditors' report

Schedule 1

<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
Library Construction		
-	-	197,932
-	-	274,845
-	-	5,214
100	-	740
<u>88,311</u>	<u>533</u>	<u>89,002</u>
88,411	533	567,733
-	-	70,495
-	-	47,986
-	-	35,011
-	-	24,929
<u>199,138</u>	<u>-</u>	<u>199,138</u>
<u>199,138</u>	<u>-</u>	<u>377,559</u>
(110,727)	533	190,174
<u>154,000</u>	<u>-</u>	<u>(120,845)</u>
43,273	533	69,329
<u>-</u>	<u>82,819</u>	<u>257,717</u>
<u>43,273</u>	<u>83,352</u>	<u>327,046</u>
-	-	200,421
43,273	-	43,273
<u>-</u>	<u>83,352</u>	<u>83,352</u>
<u>43,273</u>	<u>83,352</u>	<u>327,046</u>

City of Missouri Valley
 Schedule of Indebtedness
 Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Street improvement	Jul 1, 1997	5.20 – 5.25 %	\$ 195,000
Street improvement	Aug 1, 1997	5.15 – 5.30 %	715,000
Bridge improvement	Jul 1, 1999	4.55 – 4.85 %	240,000
Street Sweeper	Jun 1, 2001	5.75 %	85,000
General purpose notes	Nov 1, 2001	4.00 – 5.00 %	455,000
JD Tractor	Jul 10, 2003	7.90 %	8,510
International Truck	Jul 1, 2004	4.60 %	44,321
JD Mower	Mar 15, 2005	8.50 %	15,800
Total			
Urban renewal tax increment financing (TIF) revenue bonds:			
Economic development	Sep 1, 1996	7.90 – 8.15 %	\$ 290,000
Street improvement	Sep 1, 1996	5.50 – 5.65 %	250,000
Total			
Revenue notes:			
Sewer	Mar 16, 1992	4.62 %	\$ 337,000
Sewer	Nov 1, 1996	5.25 – 5.75 %	885,000
Total			

See accompanying independent auditors' report

	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$	55,000	-	25,000	30,000	2,875	-
	335,000	-	80,000	255,000	17,513	-
	160,000	-	25,000	135,000	7,505	-
	36,801	-	18,418	18,383	1,420	-
	375,000	-	40,000	335,000	17,073	-
	5,446	-	2,616	2,830	446	-
	-	44,321	8,087	36,234	2,034	-
	-	15,800	5,719	10,081	-	-
\$	<u>967,247</u>	<u>60,121</u>	<u>204,840</u>	<u>822,528</u>	<u>48,866</u>	<u>-</u>
\$	155,000	-	25,000	130,000	12,478	-
	75,000	-	25,000	50,000	4,162	-
\$	<u>230,000</u>	<u>-</u>	<u>50,000</u>	<u>180,000</u>	<u>16,640</u>	<u>-</u>
\$	168,000	-	18,000	150,000	7,346	-
	560,000	-	55,000	505,000	29,686	-
\$	<u>728,000</u>	<u>-</u>	<u>73,000</u>	<u>655,000</u>	<u>37,032</u>	<u>-</u>

City of Missouri Valley
 Bond and Note Maturities
 June 30, 2005

Year Ending June 30,	General Obligation							
	Street Improvement Issued Jul 1, 1997		Street Improvement Issued Aug 1, 1997		Bridge Improvement Issued Jul 1, 1999		Street Sweeper Issued Jun 1, 2001	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2006	5.25 %	\$ 30,000	5.20 %	\$ 80,000	4.60 %	\$ 25,000	5.75 %	\$ 18,383
2007	-	-	5.25 %	85,000	4.65 %	25,000	-	-
2008	-	-	5.30 %	90,000	4.70 %	25,000	-	-
2009	-	-	-	-	4.75 %	30,000	-	-
2010	-	-	-	-	4.85 %	30,000	-	-
2011	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
Total		\$ 30,000		\$ 255,000		\$ 135,000		\$ 18,383

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds				
	Economic Development Issued Sep 1, 1996		Street Improvements Issued Sep 1, 1996		Total
	Interest Rate	Amount	Interest Rate	Amount	
2006	8.00 %	\$ 30,000	5.55 %	\$ 25,000	\$ 55,000
2007	8.05 %	30,000	5.65 %	25,000	55,000
2008	8.10 %	35,000	-	-	35,000
2009	8.15 %	35,000	-	-	35,000
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
Total		\$ 130,000		\$ 50,000	\$ 180,000

See accompanying independent auditors' report

Bonds

GO Corp Purpose Notes Issued Nov 1, 2001		JD Tractor Issued Jul 10, 2003		International Truck Issued Jul 1, 2004		JD Mower Issued Mar 15, 2005		
Interest		Interest		Interest		Interest		
Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Total
4.15 %	\$ 40,000	7.90 %	\$ 2,830	4.60 %	\$ 8,458	8.50 %	\$ 4,827	\$ 209,498
4.30 %	45,000	-	-	4.60 %	8,846	8.50 %	5,254	169,100
4.50 %	45,000	-	-	4.60 %	9,253	-	-	169,253
4.60 %	50,000	-	-	4.60 %	9,677	-	-	89,677
4.80 %	50,000	-	-	-	-	-	-	80,000
4.90 %	50,000	-	-	-	-	-	-	50,000
5.00 %	55,000	-	-	-	-	-	-	55,000
	<u>\$ 335,000</u>		<u>\$ 2,830</u>		<u>\$ 36,234</u>		<u>\$ 10,081</u>	<u>\$ 822,528</u>

Revenue Notes

Sewer Issued Oct. 15, 1999		Sewer Issued Feb. 28, 2003		
Interest Rate	Amount	Interest Rate	Amount	Total
4.62 %	\$ 19,000	5.35 %	\$ 60,000	\$ 79,000
4.62 %	20,000	5.45 %	65,000	85,000
4.62 %	20,000	5.55 %	70,000	90,000
4.62 %	21,000	5.60 %	70,000	91,000
4.62 %	22,000	5.65 %	75,000	97,000
4.62 %	23,000	5.70 %	80,000	103,000
4.62 %	25,000	5.75 %	85,000	110,000
	<u>\$ 150,000</u>		<u>\$ 505,000</u>	<u>\$ 655,000</u>

City of Missouri Valley
 Schedule of Receipts By Source and Disbursements By Function -
 All Governmental Funds
 For the Last Four Years

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Receipts				
Property tax	\$ 947,298	1,057,170	976,282	844,260
Tax increment financing collections	274,845	259,246	245,334	214,301
Other city tax	266,249	261,186	295,179	286,377
Licenses and permits	8,278	11,173	7,014	8,151
Use of money and property	28,913	50,951	23,825	37,094
Intergovernmental	319,538	300,177	399,175	349,715
Charges for service	163,518	179,290	138,470	124,769
Special assessments	-	572	152	159
Miscellaneous	190,965	1,270,538	792,034	103,503
Total	\$ <u>2,199,604</u>	<u>3,390,303</u>	<u>2,877,465</u>	<u>1,968,329</u>
Disbursements				
Operating:				
Public safety	\$ 377,686	411,606	493,105	428,195
Public works	377,457	442,890	384,801	330,577
Culture and recreation	428,532	353,463	625,189	271,540
General government	242,345	211,421	272,855	220,401
Debt service	322,746	360,600	353,267	1,088,084
Capital projects	199,138	1,464,836	0	29,436
Total	\$ <u>1,947,904</u>	<u>3,244,816</u>	<u>2,129,217</u>	<u>2,368,233</u>

See accompanying independent auditors' report

City of Missouri Valley

October 5, 2005

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

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 5, 2005. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Missouri Valley'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the City of Missouri Valley'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 non-compliance 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.

Continued...

City of Missouri Valley
Independent Auditors' Report on
Internal Control and Compliance

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.

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

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories

Comment - A resolution naming official depositories has been approved by the City Council. However, the maximum deposit amounts stated in the resolution were exceeded at one depository during the year ended June 30, 2005. In addition, the City had a variety of investments held in a depository outside the State of Iowa.

Recommendation - The City should deposit funds in accordance with their resolution or increase the depository resolution. Chapters 12C.4 and 12C.5 of the Code of Iowa state in part that “deposits must be held in the county, or adjoining County in which the City is located unless deposits are refused, then the deposits must be held in depositories within the State of Iowa.” The City should deposit funds in allowable depositories.

Response - We will review and revise our policies and deposit only in allowable depositories.

Conclusion - Response accepted.

II-B-05 Certified Budget

Comment - Disbursements during the year ended June 30, 2005 exceeded the amounts in the budget in the culture and recreation and capital projects functions. Chapter 384.20 of the code of Iowa states in part that “public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation - The budget should have been amended sufficiently before disbursements were allowed to exceed the budget.

Response - The procedures to amend the budget will be reviewed so that we will be in compliance with the Code of Iowa.

Conclusion - Response accepted.

II-C-05 Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting Continued:

II-D-05 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 Business Transactions

We noted no business transactions between the City and City officials or employees.

II-F-05 Bond Coverage

Surety bond coverage of City 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-05 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-05 Revenue Notes

The City is in compliance with the provisions of the bond resolutions.

II-I-05 Excess Balances

Comment – The balances in the Special Revenue Fund-Road Use Account, Local Option Sales Tax Account, the Debt Service Fund and the Enterprise Fund-Water and Sewer Accounts at June 30, 2005, were in excess of the accounts' disbursements for the year.

Recommendation – The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – We will review the Road Use Account and Debt Service Fund further before the next budget is certified. We plan to utilize the funds in the Local Option Sales Tax Account for future street and utility projects, and we are planning to utilize funds from the Water and Sewer Accounts to pay for improvements and construction.

Conclusion – Response accepted.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting Continued:

II-J-05 Financial Condition

Comment – The Enterprise Fund, Water Capital Projects Fund had a deficit balance at June 30, 2005.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The deficit was due to construction costs incurred prior to receipt of grants and loan proceeds.

Conclusion – Response accepted

II-K-05 Vehicle Use Policy

Comment – The City has not adopted a policy regarding vehicle usage by employees.

Recommendation – The City should establish a policy addressing the use of City owned property.

Response – We will do this.

Conclusion – Response accepted

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting Continued:

II-L-05 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2005:

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Date</u>
IMWCA	Workers' compensation and employer's liability:		
	Each occurrence	\$ 500,000	Jul 1, 2005
	Policy limit	1,000,000	Jul 1, 2005
ICAP	Blanket building and contents	8,846,346	Apr 1, 2005
ICAP	Commercial Umbrella	4,000,000	Apr 1, 2005
ICAP	Automobile coverage:		
	Bodily injury liability:		
	Each occurrence	4,000,000	Apr 1, 2005
	Uninsured/underinsured motorists	4,000,000	Apr 1, 2005
ICAP	Fidelity bond coverage for:		
	Clerk	25,000	Apr 1, 2005
	Treasurer	25,000	Apr 1, 2005
ICAP	Public officials' errors and omissions	100,000	Apr 1, 2005

Statistical Information

Utility customers served at June 30, 2005	1,247
Gallons billed during the year ended June 30, 2005 were approximately	97,081,000

NEWS RELEASE

Schroer & Associates, P.C. today released an audit report on the City of Missouri Valley, Iowa.

The City's receipts totaled \$2,978,031 for the year ended June 30, 2005, a 25 percent decrease from 2004. The receipts included \$1,061,550 in property tax, \$274,845 from tax increment financing collections, \$947,603 from charges for service, \$370,097 from operating grants, contributions and restricted interest, \$88,411 from capital grants, contributions and restricted interest, \$151,997 from local option sales tax, \$23,868 from unrestricted investment earnings and \$59,660 from other general receipts.

Disbursements for the year totaled \$2,679,709, a 34 percent decrease from the prior year, and included \$428,532 for culture and recreation, \$377,457 for public works, and \$377,686 for public safety. Also, disbursements for business type activities totaled \$731,805.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

November 11, 2005

To the Honorable Mayor and
Members of the City Council
City of Missouri Valley
223 E Erie
Missouri Valley, IA 51555

We have compiled the annual financial report of the City of Missouri Valley for the year ended June 30, 2005, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the State of Iowa information that is the representation of management. We have not audited or reviewed the financial statements referred to above, and accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the State of Iowa, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

November 7, 2005

To the Honorable Mayor and
Members of the City Council
City of Missouri Valley
223 E. Erie
Missouri Valley, IA 51555

We have compiled the annual financial report of the City of Missouri Valley for the year ended June 30, 2005, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the State of Iowa information that is the representation of management. We have not audited or reviewed the financial statements referred to above, and accordingly, do not express an opinion or any other form of assurance on them. These financial statements were compiled by us from financial statements for the same period that we previously audited, as indicated in our report dated October 5, 2005.

These financial statements are presented in accordance with the requirements of the State of Iowa, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences

December 12, 2005

To the Honorable Mayor and
Members of the City Council

To Whom It May Concern:

Enclosed is a draft copy of the audit for your review and for information to complete the MD & As (Management, Discussion & Analysis).

We will insert page numbers after we insert the MD & As.

Thanks for your help. Please call me with questions.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass
Shareholder

BM/sh
Enc.