

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2005

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maple Valley Community School District, Mapleton, Iowa, as of and for the year ended June 30, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maple Valley Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2005, on our consideration of Maple Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 38 through 40 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maple 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, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

September 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maple 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,836,584 in fiscal 2004 to \$5,019,153 in fiscal 2005, while General Fund expenditures decreased from \$4,789,174 in fiscal 2004 to \$4,772,592 in fiscal 2005. The District's General Fund balance increased from \$279,550 in fiscal 2004 to \$531,497 in fiscal 2005.
- The increase in General Fund revenues was attributable to an increase in property tax and state revenue in fiscal year 2005. The decrease in expenditures was due primarily to a decrease in regular instruction expenditures.

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 Sample 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 Sample 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 Sample 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

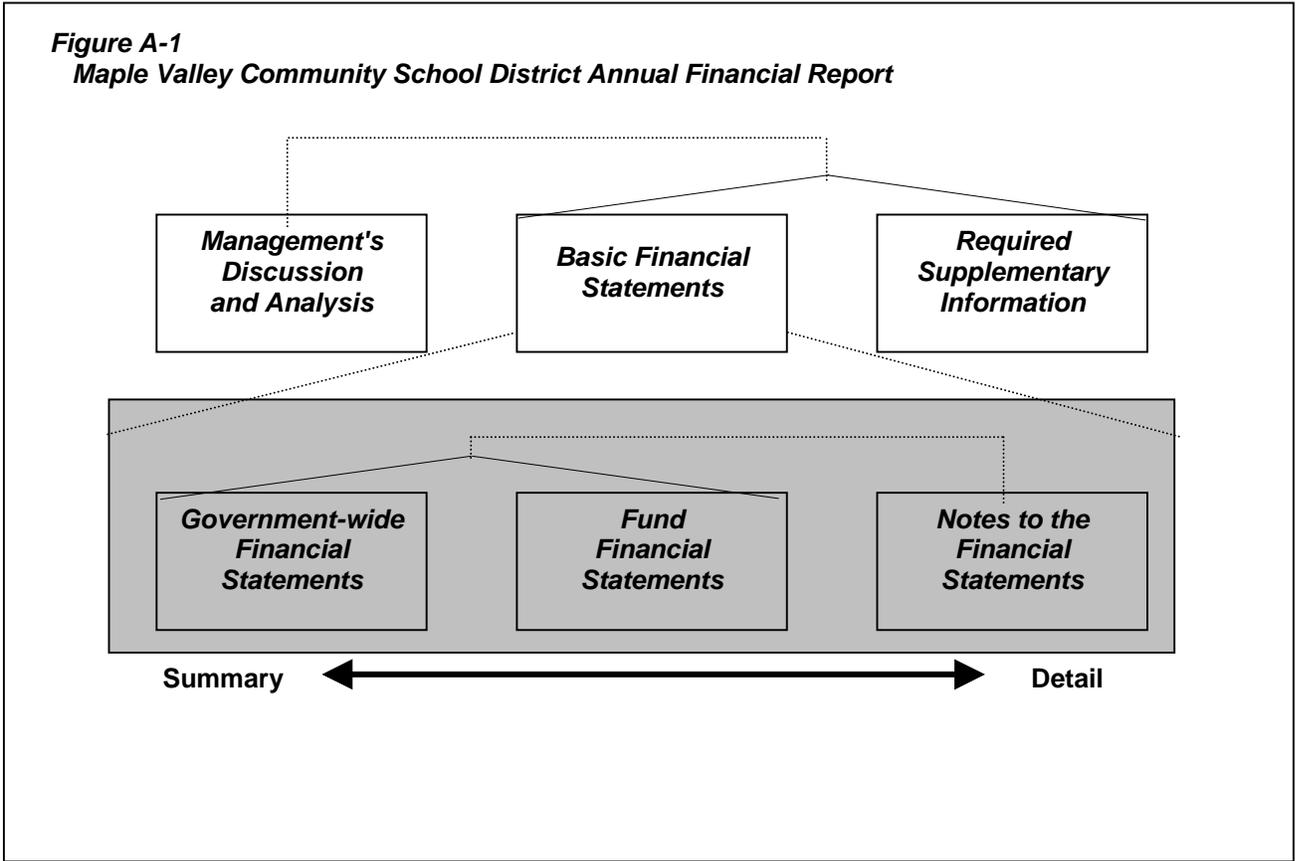


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 two kinds of funds:

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

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

The required financial statements for 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.

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, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,619,279	6,696,654	15,895	8,383	4,635,174	6,705,037	-31%
Capital assets	8,727,016	6,615,398	5,011	4,215	8,732,027	6,619,613	32%
Total assets	13,346,295	13,312,052	20,906	12,598	13,367,201	13,324,650	0%
Long-term liabilities	5,264,962	5,420,212	-	-	5,264,962	5,420,212	-3%
Other liabilities	3,014,276	3,580,787	1,292	957	3,015,568	3,581,744	-16%
Total liabilities	8,279,238	9,000,999	1,292	957	8,280,530	9,001,956	-8%
Net Assets:							
Invested in capital assets, net of related debt	3,627,016	2,883,040	5,011	4,215	3,632,027	2,887,255	26%
Restricted	1,090,131	1,067,258	-	-	1,090,131	1,067,258	2%
Unrestricted	349,910	360,755	14,603	7,426	364,513	368,181	1%
TOTAL NET ASSETS	5,067,057	4,311,053	19,614	11,641	5,086,671	4,322,694	18%

The District's combined net assets increased by nearly 18%, or approximately \$764,000 over the prior year. The reason for this large increase was the completion of our building project. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$23,000 or 2% over the prior year.

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 approximately \$3,668, or 1%.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	1,058,211	877,247	87,934	83,080	1,146,145	960,327	19%
Operating grants & contributions	804,976	709,156	87,207	89,459	892,183	798,615	12%
Capital grants & contributions	-	451,440	-	-	-	451,440	-100%
General Revenues:							0%
Property taxes	1,791,257	1,782,100	-	-	1,791,257	1,782,100	1%
Income Surtax	168,454	151,015	-	-	168,454	151,015	12%
Local option sales tax	270,662	249,222	-	-	270,662	249,222	9%
Unrestricted state grants	2,116,676	1,990,270	-	-	2,116,676	1,990,270	6%
Unrestricted investment earnings	50,160	81,722	52	42	50,212	81,764	-13%
Other revenue	7,746	35,774	-	-	7,746	35,774	-78%
Total Revenues	6,368,142	6,327,946	175,193	172,581	6,543,335	6,500,527	1%
Expenses:							
Instruction	3,441,546	3,561,474	-	-	3,441,546	3,561,474	-3%
Support services	1,541,710	1,415,717	-	-	1,541,710	1,415,717	9%
Non-instructional programs	6,807	6,663	167,220	170,447	174,027	177,110	-2%
Other expenditures	622,075	372,462	-	-	622,075	372,462	67%
Total expenses	5,612,138	5,356,316	167,220	170,447	5,779,358	5,526,763	5%
Change in net assets before transfers	756,004	971,630	7,973	2,134	763,977	973,764	22%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	756,004	971,630	7,973	2,134	763,977	973,764	22%
Net assets beginning of year	4,311,053	3,339,423	11,641	9,507	4,322,694	3,348,930	29%
Net assets end of year	<u>5,067,057</u>	<u>4,311,053</u>	<u>19,614</u>	<u>11,641</u>	<u>5,086,671</u>	<u>4,322,694</u>	<u>18%</u>

Property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,368,142 and expenses were \$5,612,138. The District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost of Services 2004 \$	Net Cost of Services 2005 \$	Net Cost of Services 2004 \$
Instruction	3,441,546	3,561,474	1,953,944	2,197,700
Support Services	1,541,710	1,415,717	1,528,938	1,363,576
Non-instructional Programs	6,807	6,663	6,807	6,663
Other Expenses	622,075	372,462	159,262	266,367
TOTAL	5,612,138	5,356,316	3,648,951	3,834,306

- The cost financed by users of the District's programs was \$1,058,211.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$904,976.
- The net cost of governmental activities was financed with \$2,230,373 in property and other taxes and \$2,116,676 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$175,141 and expenses were \$167,220. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District increased meal prices for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund that the District has obligated for improving meals and extra offerings in the next fiscal year.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,482,342, which was below last years' balance of \$2,432,098. The reason for this significant decrease is the completion of our building projects. The greatest decrease in fund balance was in the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues
- The General Fund balance increased from \$279,550 to \$531,497.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$323,655 in fiscal 2004 to \$500,815 in fiscal 2005. Revenues increased due to federal grants.
- The Capital Projects Fund balance decreased from a fiscal 2004 balance of \$1,618,740 to a fiscal 2005 balance of \$432,662, due primarily to expenditures for construction costs of the new High School.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$11,641 at June 30, 2004 to \$19,614 at June 30, 2005. For fiscal 2005, the District increased meal prices, resulting in the increase in net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$288,812 more than budgeted receipts. The most significant variance resulted from the District receiving more in federal funds than originally anticipated.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. The budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority. The district certifies its budget on a cash basis, but year-end financial reports are converted to an accrual basis. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-

item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the general fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the district.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$8.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 31% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$328,371.

The original cost of the District's capital assets was \$10.8 million. Governmental funds account for \$10.7 million, with the remainder of \$.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category, due to our building project being completed.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	10,164	10,164	-	-	10,164	10,164	0%
Construction in progress	-	6,305,022	-	-	-	6,305,022	-100%
Buildings	8,325,000	62,350	-	-	8,325,000	62,350	13252%
Improvements	-	2,003	-	-	-	2,003	-100%
Equipment & Furniture	391,852	235,859	5,011	4,215	396,863	240,074	65%
TOTAL	8,727,016	6,615,398	5,011	4,215	8,732,027	6,619,613	32%

Long-Term Debt

At June 30, 2005, the District had \$5,264,962 in general obligation, revenue and other long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2005	2004	2004-2005
	\$	\$	
General Obligation Bonds	4,250,000	4,415,000	-4%
Local Option Sales and Services Tax Revenue Bonds	850,000	850,000	0%
Early Retirement	164,962	155,212	6%
	<u>5,264,962</u>	<u>5,420,212</u>	<u>-3%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased. This drop in enrollment will decrease the District's funding for fiscal year 2007.
- The District has many long-term employees that would be eligible for early retirement over the next few years. This could affect the district's total tax levy and the distribution of property taxes among funds that are supported by property tax. For example, the management fund levy would need to increase, and that may mean a decrease in another levy to keep taxes at an acceptable level. However, the board has the ability to approve or deny applications for early retirement, so the effect can be somewhat controlled.
- The district has facilities that are modern and in good shape. Although there are always projects that need to be done, the revenues to support facility maintenance and improvement should be sufficient to take care of immediate needs for the next few years.
- The impact of legislative issues and declining student enrollment will have an impact on the economic factors of the district's future.

- As the sources of revenues continue to drop in the future, the district may have to look into an Instructional Support Levy to help increase the General Fund revenues.

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 Shona Klingensmith, District Secretary/Treasurer and Business Manager, Maple Valley Community School District, Mapleton, Iowa 51034

BASIC FINANCIAL STATEMENTS

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	611,698	-	611,698
Other	1,196,476	12,107	1,208,583
Cash with fiscal agent	295,539	-	295,539
Receivables:			
Property tax:			
Delinquent	26,153	-	26,153
Succeeding year	1,811,159	-	1,811,159
Accounts	-	661	661
Accrued interest:			
ISCAP	173	-	173
Due from other governments	678,081	-	678,081
Inventories	-	3,127	3,127
Capital assets, net of accumulated depreciation	8,727,016	5,011	8,732,027
	<u>13,346,295</u>	<u>20,906</u>	<u>13,367,201</u>
Total assets			
Liabilities			
Accounts payable	35,549	-	35,549
Salaries and benefits payable	344,931	-	344,931
Due to other governments	166,221	-	166,221
Accrued interest payable	43,207	-	43,207
Deferred revenue:			
Succeeding year property tax	1,811,159	-	1,811,159
Other	-	1,292	1,292
ISCAP warrants payable	609,000	-	609,000
ISCAP accrued interest payable	203	-	203
ISCAP premium	4,006	-	4,006
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	180,000	-	180,000
Revenue bonds payable	145,000	-	145,000
Early retirement	32,525	-	32,525
Portion due after one year:			
General obligation bonds payable	4,070,000	-	4,070,000
Revenue bonds payable	705,000	-	705,000
Early retirement	132,437	-	132,437
	<u>8,279,238</u>	<u>1,292</u>	<u>8,280,530</u>
Total liabilities			

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	3,627,016	5,011	3,632,027
Restricted for:			
Physical plant and equipment levy	666,683	-	666,683
Other special revenue purposes	21,011	-	21,011
Local option sales tax capital projects	187,625	-	187,625
Debt service	214,812	-	214,812
Unrestricted	349,910	14,603	364,513
Total net assets	<u>5,067,057</u>	<u>19,614</u>	<u>5,086,671</u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,862,869	664,388	269,125	-
Special instruction	915,800	83,484	153,048	-
Other instruction	662,877	304,913	12,644	-
	<u>3,441,546</u>	<u>1,052,785</u>	<u>434,817</u>	<u>-</u>
Support services:				
Student services	108,789	-	4,039	-
Instructional staff services	204,036	-	-	-
Administration services	517,778	-	-	-
Operation and maintenance of plant services	326,413	2,531	-	-
Transportation services	384,694	2,895	3,307	-
	<u>1,541,710</u>	<u>5,426</u>	<u>7,346</u>	<u>-</u>
Non-instructional programs	<u>6,807</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	-	270,137
Long-term debt interest	212,136	-	20,877	-
AEA flowthrough	171,799	-	171,799	-
Depreciation (unallocated)*	238,140	-	-	-
	<u>622,075</u>	<u>-</u>	<u>192,676</u>	<u>270,137</u>
Total governmental activities	5,612,138	1,058,211	634,839	270,137
Business type activities:				
Non-instructional programs:				
Food service operations	<u>167,220</u>	<u>87,934</u>	<u>87,207</u>	<u>-</u>
Total	<u>5,779,358</u>	<u>1,146,145</u>	<u>722,046</u>	<u>270,137</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

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 expenses of the various programs.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(929,356)	-	(929,356)
(679,268)	-	(679,268)
(345,320)	-	(345,320)
<u>(1,953,944)</u>	<u>-</u>	<u>(1,953,944)</u>
(104,750)	-	(104,750)
(204,036)	-	(204,036)
(517,778)	-	(517,778)
(323,882)	-	(323,882)
(378,492)	-	(378,492)
<u>(1,528,938)</u>	<u>-</u>	<u>(1,528,938)</u>
<u>(6,807)</u>	<u>-</u>	<u>(6,807)</u>
270,137	-	270,137
(191,259)	-	(191,259)
-	-	-
<u>(238,140)</u>	<u>-</u>	<u>(238,140)</u>
<u>(159,262)</u>	<u>-</u>	<u>(159,262)</u>
(3,648,951)	-	(3,648,951)
<u>-</u>	<u>7,921</u>	<u>7,921</u>
<u>(3,648,951)</u>	<u>7,921</u>	<u>(3,641,030)</u>
1,561,078	-	1,561,078
186,201	-	186,201
43,978	-	43,978
168,454	-	168,454
270,662	-	270,662
2,116,676	-	2,116,676
50,160	52	50,212
7,746	-	7,746
<u>4,404,955</u>	<u>52</u>	<u>4,405,007</u>
756,004	7,973	763,977
<u>4,311,053</u>	<u>11,641</u>	<u>4,322,694</u>
<u>5,067,057</u>	<u>19,614</u>	<u>5,086,671</u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

Assets	<u>General Fund</u> \$	<u>Capital Projects</u> \$	<u>Physical Plant and Equipment</u> \$	<u>Nonmajor Governmental Funds</u> \$	<u>Total</u> \$
Cash and pooled investments:					-
ISCAP	611,698	-	-	-	611,698
Other	567,910	90,240	500,173	38,153	1,196,476
Cash with fiscal agent	-	295,539	-	-	295,539
Receivables:					
Property tax:					
Delinquent	21,698	-	642	3,813	26,153
Succeeding year	1,444,533	-	46,036	320,590	1,811,159
Accrued interest - ISCAP	173	-	-	-	173
Interfund receivable	24,000	-	-	-	24,000
Due from other governments	464,852	47,361	165,868	-	678,081
Total assets	<u>3,134,864</u>	<u>433,140</u>	<u>712,719</u>	<u>362,556</u>	<u>4,643,279</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	34,473	478	-	598	35,549
Salaries and benefits payable	344,931	-	-	-	344,931
Due to other governments	166,221	-	-	-	166,221
Interfund payable	-	-	-	24,000	24,000
ISCAP warrants payable	609,000	-	-	-	609,000
ISCAP accrued interest payable	203	-	-	-	203
ISCAP premium	4,006	-	-	-	4,006
Deferred revenue:					
Succeeding year property tax	1,444,533	-	46,036	320,590	1,811,159
Other	-	-	165,868	-	165,868
Total liabilities	<u>2,603,367</u>	<u>478</u>	<u>211,904</u>	<u>345,188</u>	<u>3,160,937</u>
Fund balances:					
Reserved for:					
Debt service	-	245,037	-	12,982	258,019
Unreserved reported in:					
General fund	531,497	-	-	-	531,497
Special revenue funds	-	-	500,815	4,386	505,201
Capital projects funds	-	187,625	-	-	187,625
Total fund balances	<u>531,497</u>	<u>432,662</u>	<u>500,815</u>	<u>17,368</u>	<u>1,482,342</u>
Total liabilities and fund balances	<u>3,134,864</u>	<u>433,140</u>	<u>712,719</u>	<u>362,556</u>	<u>4,643,279</u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

	\$
Total fund balances of governmental funds (Exhibit C)	1,482,342
<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.	8,727,016
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	165,868
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	(43,207)
Long-term liabilities, including bonds payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(5,264,962)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,067,057</u></u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2005

	General Fund	Capital Projects	Physical Plant and Equipment	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,486,144	270,662	247,687	261,136	2,265,629
Tuition	560,831	-	-	-	560,831
Other	241,841	22,263	7,226	301,446	572,776
State sources	2,461,643	-	43	258	2,461,944
Federal sources	268,694	58,637	211,500	-	538,831
Total revenues	<u>5,019,153</u>	<u>351,562</u>	<u>466,456</u>	<u>562,840</u>	<u>6,400,011</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,803,101	-	-	52,166	1,855,267
Special instruction	915,800	-	-	-	915,800
Other instruction	370,670	-	-	355,023	725,693
	<u>3,089,571</u>	<u>-</u>	<u>-</u>	<u>407,189</u>	<u>3,496,760</u>
Support services:					
Student services	108,472	-	-	317	108,789
Instructional staff services	203,751	-	-	285	204,036
Administration services	481,048	-	-	36,730	517,778
Operation and maintenance of plant services	393,128	-	-	68,659	461,787
Transportation services	320,452	-	-	40,564	361,016
	<u>1,506,851</u>	<u>-</u>	<u>-</u>	<u>146,555</u>	<u>1,653,406</u>
Non-instructional programs	4,371	-	-	2,436	6,807
Other expenditures:					
Facilities acquisition	-	1,521,988	137,276	-	1,659,264
Long-term debt:					
Principal	-	-	-	165,000	165,000
Interest and fiscal charges	-	-	-	202,117	202,117
AEA flowthrough	171,799	-	-	-	171,799
	<u>171,799</u>	<u>1,521,988</u>	<u>137,276</u>	<u>367,117</u>	<u>2,198,180</u>
Total expenditures	<u>4,772,592</u>	<u>1,521,988</u>	<u>137,276</u>	<u>923,297</u>	<u>7,355,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>246,561</u>	<u>(1,170,426)</u>	<u>329,180</u>	<u>(360,457)</u>	<u>(955,142)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	2,558	-	-	-	2,558
Sales of materials and equipment	2,828	-	-	-	2,828
Operating transfers in	-	-	-	167,672	167,672
Operating transfers out	-	(15,652)	(152,020)	-	(167,672)
Total other financing sources (uses)	<u>5,386</u>	<u>(15,652)</u>	<u>(152,020)</u>	<u>167,672</u>	<u>5,386</u>
Net change in fund balances	251,947	(1,186,078)	177,160	(192,785)	(949,756)
Fund balances beginning of year	<u>279,550</u>	<u>1,618,740</u>	<u>323,655</u>	<u>210,153</u>	<u>2,432,098</u>
Fund balances end of year	<u><u>531,497</u></u>	<u><u>432,662</u></u>	<u><u>500,815</u></u>	<u><u>17,368</u></u>	<u><u>1,482,342</u></u>

See notes to financial statements.

MAPLE 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, 2005

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(949,756)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:</p>		
Expenditures for capital assets	1,925,791	
Loss on disposal of equipment	(1,999)	
Depreciation expense	<u>(328,007)</u>	1,595,785
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		(35,256)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		165,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(10,019)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		<u>(9,750)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>756,004</u></u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	12,107
Accounts receivable	661
Inventories	3,127
Capital assets, net of accumulated depreciation	<u>5,011</u>
Total assets	20,906
Liabilities	
Deferred revenue	<u>1,292</u>
Net assets	
Invested in capital assets, net of related debt	5,011
Unrestricted	<u>14,603</u>
Total net assets	<u><u>19,614</u></u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>87,934</u>
Operating expenses:	
Non-instructional programs:	
Salaries	56,777
Benefits	8,794
Purchased services	2,991
Supplies	98,294
Depreciation	364
	<u>167,220</u>
Operating gain (loss)	<u>(79,286)</u>
Non-operating revenue:	
State sources	2,385
Federal sources	84,822
Interest income	52
Total non-operating revenue	<u>87,259</u>
Change in net assets	7,973
Net assets beginning of year	<u>11,641</u>
Net assets end of year	<u><u>19,614</u></u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	87,795
Cash payments to employees for services	(65,571)
Cash payments to suppliers for goods or services	(87,459)
Net cash used by operating activities	<u>(65,235)</u>
Cash flows from non-capital financing activities:	
State grants received	2,385
Federal grants received	72,480
Net cash provided by non-capital financing activities	<u>74,865</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,160)</u>
Cash flows from investing activities:	
Interest on investments	<u>52</u>
Net increase (decrease) in cash and cash equivalents	8,522
Cash and cash equivalents at beginning of year	<u>3,585</u>
Cash and cash equivalents at end of year	<u><u>12,107</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(79,286)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	12,342
Depreciation	364
Decrease (increase) in inventories	1,484
Decrease (increase) in accounts receivable	(474)
(Decrease) increase in deferred revenue	<u>335</u>
Net cash used in operating activities	<u><u>(65,235)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$12,342 of federal commodities.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

Maple Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Mapleton, Iowa and the predominately agricultural territory in a portion of Monona, Ida, Woodbury and Crawford Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

Restricted net assets result when constraints placed on net 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 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 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 and proprietary. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 revenues 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 expenditures, including instruction, support and other costs.

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

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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.

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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated

absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the 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 is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is 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 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 became 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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 repair 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	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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

used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and 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 and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

2. Cash and Pooled Investments

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

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	50,502

The investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	245,037

Credit risk: The investment in Goldman Sachs Financial Square Treasury Obligations Fund and the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor – Management Fund	24,000

4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Debt Service Fund	Capital Projects Fund	15,652
Debt Service Fund	Physical Plant and Equipment Levy Fund	152,020

These transfers reflect funds used for debt service payments.

5. 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. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, 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>
			\$	\$	\$	\$
2005-06A	6/30/05	6/30/06	611,698	173	609,000	203
Total			<u>611,698</u>	<u>173</u>	<u>609,000</u>	<u>203</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 warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

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

Series	Interest Rates on Warrants %	Interest Rates on Investments %
2005-06A	4.0	3.903

6. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	6,820,855	-	6,820,855	-
Land	10,164	-	-	10,164
Total capital assets not being depr.	<u>6,831,019</u>	<u>-</u>	<u>6,820,855</u>	<u>10,164</u>
Capital assets being depreciated:				
Buildings	949,351	8,500,000	186,524	9,262,827
Improvements other than buildings	238,951	-	-	238,951
Furniture and equipment	1,004,273	246,646	23,579	1,227,340
Total capital assets being deprec.	<u>2,192,575</u>	<u>8,746,646</u>	<u>210,103</u>	<u>10,729,118</u>
Less accumulated depreciation for:				
Buildings	887,001	236,137	185,311	937,827
Improvements other than buildings	236,948	2,003	-	238,951
Furniture and equipment	768,414	89,867	22,793	835,488
Total accumulated depreciation	<u>1,892,363</u>	<u>328,007</u>	<u>208,104</u>	<u>2,012,266</u>
Total capital assets being depreciated, net	<u>300,212</u>	<u>8,418,639</u>	<u>1,999</u>	<u>8,716,852</u>
Governmental activities capital assets, net	<u>7,131,231</u>	<u>8,418,639</u>	<u>6,822,854</u>	<u>8,727,016</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	72,376	1,160	4,220	69,316
Less accumulated depreciation	68,161	364	4,220	64,305
Business type activities capital assets, net	<u>4,215</u>	<u>796</u>	<u>-</u>	<u>5,011</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	9,753
Other	6,980
Support Services:	
Operation and maintenance of plant services	16,556
Transportation	56,578
	<u>89,867</u>
Unallocated depreciation	<u>238,140</u>
Total depreciation expense – governmental activities	<u>328,007</u>
Business type activities:	
Food services	<u>364</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	4,415,000	-	165,000	4,250,000	180,000
Local option sales and services tax revenue bonds	850,000	-	-	850,000	145,000
Early retirement	155,212	40,402	30,652	164,962	32,525
Total	<u>5,420,212</u>	<u>40,402</u>	<u>195,652</u>	<u>5,264,962</u>	<u>357,525</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on prior year salary. Early retirement expenditures for the year ended June 30, 2005 totaled \$30,652

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Bond Issue of December ,2001				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	3.75	180,000	180,290	360,290
2007	3.75	190,000	173,540	363,540
2008	4.0	200,000	166,415	366,415
2009	4.0	210,000	158,415	368,415
2010	4.0	220,000	150,015	370,015
2011-2015	4.0-4.10	1,180,000	612,405	1,792,405
2016-2020	4.10-4.50	1,410,000	352,090	1,762,090
2021-2022	4.60-4.80	660,000	47,680	707,680
		4,250,000	1,840,850	6,090,850

Revenue Bonds Payable

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

Revenue Bond Issue June 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	2.50	145,000	24,505	169,505
2007	2.80	180,000	20,172	200,172
2008	3.00	185,000	14,877	199,877
2009	3.40	185,000	8,957	193,957
2010	3.75	155,000	2,907	157,907
		850,000	71,418	921,418

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- Bonds maturing after July 1, 2008, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$85,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available for bond payments.

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 covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$140,911, \$139,208, and \$139,516 respectively, equal to the required contributions for each year.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$171,799 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Deficit Fund Balances

At June 30, 2005 the District had a \$16,625 deficit balance in the Special Revenue Management Fund.

12. Statement of Activities – Restatement of Beginning Net Assets

The beginning net assets on the Statement of Activities was increased by \$515,833 because June 30, 2004 capital assets, net of accumulated depreciation was understated by \$515,833 of construction in progress.

REQUIRED SUPPLEMENTARY INFORMATION

MAPLE 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, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	3,274,318	87,847	3,362,165	3,284,747	3,284,747	77,418
Intermediate sources	-	-	-	2,500	2,500	(2,500)
State sources	2,482,671	2,385	2,485,056	2,517,599	2,517,599	(32,543)
Federal sources	562,615	84,822	647,437	401,000	401,000	246,437
Total receipts	<u>6,319,604</u>	<u>175,054</u>	<u>6,494,658</u>	<u>6,205,846</u>	<u>6,205,846</u>	<u>288,812</u>
Disbursements:						
Instruction	3,825,407	-	3,825,407	3,874,206	3,874,206	48,799
Support services	1,587,410	-	1,587,410	2,623,605	2,623,605	1,036,195
Non-instructional programs	6,818	166,532	173,350	183,906	183,906	10,556
Other expenditures	2,812,862	-	2,812,862	3,258,081	3,258,081	445,219
Total disbursements	<u>8,232,497</u>	<u>166,532</u>	<u>8,399,029</u>	<u>9,939,798</u>	<u>9,939,798</u>	<u>1,540,769</u>
Excess (deficiency) of receipts over (under) disbursements	(1,912,893)	8,522	(1,904,371)	(3,733,952)	(3,733,952)	1,829,581
Other financing sources (uses) net	<u>851</u>	<u>-</u>	<u>851</u>	<u>10,000</u>	<u>10,000</u>	<u>(9,149)</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(1,912,042)	8,522	(1,903,520)	(3,723,952)	(3,723,952)	1,820,432
Balance beginning of year	<u>3,404,057</u>	<u>3,585</u>	<u>3,407,642</u>	<u>3,723,952</u>	<u>3,723,952</u>	<u>(316,310)</u>
Balance end of year	<u>1,492,015</u>	<u>12,107</u>	<u>1,504,122</u>	<u>-</u>	<u>-</u>	<u>1,504,122</u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	6,319,604	80,407	6,400,011
Expenditures	8,232,497	(877,344)	7,355,153
Net	(1,912,893)	957,751	(955,142)
Other financing sources (uses) net	851	4,535	5,386
Beginning fund balances	3,404,057	(971,959)	2,432,098
Ending fund balances	1,492,015	(9,673)	1,482,342

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	175,054	139	175,193
Expenditures	166,532	688	167,220
Net	8,522	(549)	7,973
Beginning fund balances	3,585	8,056	11,641
Ending fund balances	12,107	7,507	19,614

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, 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 expenses by fund, the legal level of control is at the aggregated functional level, not by the 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 did not amend the budget.

OTHER SUPPLEMENTARY INFORMATION

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Debt Service	
	\$	\$	\$	\$
Cash and pooled investments	6,857	21,033	10,263	38,153
Receivables:				
Property tax:				
Delinquent	1,094	-	2,719	3,813
Succeeding year	125,000	-	195,590	320,590
Total assets	132,951	21,033	208,572	362,556
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	576	22	-	598
Interfund payables	24,000	-	-	24,000
Deferred revenue:				
Succeeding year property tax	125,000	-	195,590	320,590
Total liabilities	149,576	22	195,590	345,188
Fund balances:				
Reserved for debt service	-	-	12,982	12,982
Unreserved reported in:				
Special revenue funds	(16,625)	21,011	-	4,386
Total fund balances	(16,625)	21,011	12,982	17,368
Total liabilities and fund balances	132,951	21,033	208,572	362,556

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2005

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity Fund</u>	<u>Debt Service</u>	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	74,934	-	186,202	261,136
Other	3,230	297,566	650	301,446
State sources	74	-	184	258
Total revenues	<u>78,238</u>	<u>297,566</u>	<u>187,036</u>	<u>562,840</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	52,166	-	-	52,166
Other instruction	-	355,023	-	355,023
Support services:				
Student services	317	-	-	317
Instructional staff services	285	-	-	285
Administration services	36,730	-	-	36,730
Operation and maintenance of plant services	68,659	-	-	68,659
Transportation services	40,564	-	-	40,564
Non-instructional programs	2,436	-	-	2,436
Other expenditures:				
Long-term debt:				
Principal	-	-	165,000	165,000
Interest and fiscal charges	-	-	202,117	202,117
Total expenditures	<u>201,157</u>	<u>355,023</u>	<u>367,117</u>	<u>923,297</u>
Excess (deficiency) of revenues over (under) expenditures	(122,919)	(57,457)	(180,081)	(360,457)
Other financing sources (uses):				
Operating transfers in	-	-	167,672	167,672
Net change in fund balances	(122,919)	(57,457)	(12,409)	(192,785)
Fund balances beginning of year	106,294	78,468	25,391	210,153
Fund balances end of year	<u>(16,625)</u>	<u>21,011</u>	<u>12,982</u>	<u>17,368</u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Yearbook	8,348	12,784	11,952	-	9,180
Spanish trip	1,041	-	-	-	1,041
FCCLA-home ec. club	45	2,754	1,605	-	1,194
Drama	779	527	215	-	1,091
Vocal trip	-	7,016	7,238	-	(222)
Vocal music	2,338	2,414	2,144	-	2,608
Instrumental music trip	2,433	8,975	9,311	-	2,097
Instrumental music	292	812	653	-	451
General athletics	10,912	83,101	126,304	-	(32,291)
Softball scoreboard acct.	10,385	2,500	-	-	12,885
Boys/girls basketball	-	7,188	5,160	(1,108)	920
Boys/girls track	(1)	2,126	6,234	4,109	-
Boys/girls golf	-	56	889	833	-
Boys football	-	7,000	10,595	3,595	-
Boys baseball	-	3,475	2,825	-	650
Boys wrestling	-	3,009	2,554	-	455
Volleyball	-	4,181	2,343	(1,000)	838
Girls softball	-	1,392	3,631	2,239	-
Cross country	-	175	1,508	1,333	-
General athletics-uniforms	771	-	3,664	-	(2,893)
State tournament account	3,067	4,468	4,187	-	3,348
Special boys basketball	41	25	700	-	(634)
Special girls basketball	894	3,306	6,735	-	(2,535)
Special baseball	-	1,604	2,784	-	(1,180)
Special softball	1,424	1,993	2,370	-	1,047
Special football	8,266	9,151	8,568	-	8,849
Special volleyball	954	4,595	2,067	-	3,482
Special wrestling	-	645	1,494	-	(849)
Special girls track	1,498	1,186	1,181	-	1,503
Special golf	272	59	152	-	179
Special cross country	778	-	37	-	741
Cheerleaders	1,523	3,570	2,618	-	2,475
Ram wear	2,432	2,123	1,417	-	3,138
Dance team	559	4,153	3,101	-	1,611
FFA	2,385	43,698	58,388	-	(12,305)
FFA thrift account	1,821	-	650	-	1,171
Business Professionals of America	2,911	10,944	11,980	(1)	1,874
National Honor Society	-	-	78	78	-
Destination imagination	2,761	276	873	-	2,164
Student council	-	522	1,311	-	(789)
Concessions	3,030	21,098	10,186	(10,078)	3,864

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Student equipment	446	176	-	-	622
Interest	-	303	-	-	303
Students pop	2,263	15,269	18,761	3,414	2,185
HS special activities	3,075	338	(1)	(3,414)	-
Elementary special activities	1,706	290	1,544	-	452
Class of 2005	-	3,100	1,096	-	2,004
Class of 2006	178	15,164	15,058	-	284
Class of 2008	-	25	-	-	25
Beginning accruals	(1,159)	-	(1,159)	-	-
Ending accruals	-	-	22	-	(22)
Totals	<u>78,468</u>	<u>297,566</u>	<u>355,023</u>	<u>-</u>	<u>21,011</u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,265,629	2,223,342	2,019,842	1,739,500
Tuition	560,831	567,344	550,460	572,954
Other	572,776	391,750	480,510	361,567
State sources	2,461,944	2,368,324	3,388,379	2,326,840
Federal sources	538,831	782,542	327,908	158,902
Total revenues	<u>6,400,011</u>	<u>6,333,302</u>	<u>6,767,099</u>	<u>5,159,763</u>
Expenditures:				
Instruction:				
Regular instruction	1,855,267	2,104,666	2,071,861	2,158,650
Special instruction	915,800	852,418	793,232	843,114
Other instruction	725,693	557,423	530,182	505,621
Support services:				
Student services	108,789	85,470	81,847	82,788
Instructional staff services	204,036	172,296	159,267	191,949
Administration services	517,778	476,317	466,343	462,976
Operation and maintenance of plant services	461,787	332,721	298,437	318,753
Transportation services	361,016	346,075	364,434	307,685
Non-instructional programs	6,807	6,663	7,500	5,543
Other expenditures:				
Facilities acquisition	1,659,264	5,000,865	2,078,050	70,518
Long-term debt:				
Principal	165,000	160,000	-	-
Interest and other charges	202,117	191,965	-	-
AEA flowthrough	171,799	170,488	182,623	181,875
Total expenditures	<u>7,355,153</u>	<u>10,457,367</u>	<u>7,033,776</u>	<u>5,129,472</u>

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY05	62,938
School Breakfast Program	10.553	FY05	9,542
			<u>72,480</u>
Food Distribution (Non-cash)	10.550	FY05	12,342
U.S. Department of Education:			
Iowa Department of Education:			
Fund for the Improvement of Education - Fire Safety Grant	84.215	FY04	6,500
Fund for the Improvement of Education - Iowa Demonstration Construction Grant	84.215	FY04	205,000
Fund for the Improvement of Education - Iowa Demonstration Construction Grant	84.215	FY03	58,637
			<u>270,137</u>
Title I Grants to Local Education Agencies	84.010	4033-G-05	121,907
Title I Grants to Local Education Agencies	84.010	4033-GC-05	1,098
			<u>123,005</u>
Improving Teacher Quality State Grants	84.367	FY05	36,577
Grants for State Assessments and Related Activities	84.369	FY05	3,018
State Grants for Innovative Programs	84.298	FY05	2,787
Safe & Drug Free Schools and Communities - State Grant	84.186	FY05	4,657
Vocational Education	84.048	FY05	12,644
Comprehensive School Reform	84.332	FY05	50,000
Area Education Agency XII:			
Special Education Grants to States	84.027	FY05	30,043
			<u>30,043</u>
Total			<u><u>617,690</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Maple Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maple Valley Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 20, 2005. 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 Maple 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 III of the accompanying Schedule of Findings and Questioned Costs.

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. 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 items 05-III-A and 05-III-B are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Maple 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

September 20, 2005

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Maple Valley Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Maple Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Maple Valley Community School District's management. Our responsibility is to express an opinion on Maple Valley Community School District's compliance based on our audit.

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

In our opinion, Maple Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Maple Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Maple Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Maple Valley Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable conditions are described as items 05-III-A and 05-III-B in the accompanying Schedule of Findings and Questioned Costs.

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program 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 compliance 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, we believe items 05-III-A and 05-III-B are material weaknesses.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

September 20, 2005

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including two material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including two material weaknesses.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.215 - Fund for the Improvement Education
 - CFDA Number 84.010 - Title I Grants to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Maple Valley Community School District did not qualify as a low-risk auditee.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

05-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

05-II-B Supporting Invoices: We noted in our testing a couple of supporting invoices which could not be located.

Recommendation: We recommend all purchases be supported by invoices.

District Response: We will insure we have supporting invoices for all purchases in the future.

Conclusion: Response accepted.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

CFDA Number 84.010 - Title I Grants to Local Education Agencies

CFDA Number 84.215 – Fund for the Improvement of Education

Federal Award Year: 2005

U.S. Department of Education

Passed through the Iowa Department of Education

05-III-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals, and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises. The District does perform internal audit checks as a check against the limited number of personnel.

Conclusion: Response accepted.

05-III-B Supporting Invoices: We noted in our testing a couple of supporting invoices which could not be located.

Recommendation: We recommend all purchases be supported by invoices.

District Response: We will insure we have supporting invoices for all purchases in the future.

Conclusion: Response accepted.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting:

05-IV-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2005.

Recommendation: The District should increase the maximum dollar amount allowed by its depository resolution so that the maximum will not be exceeded during the times when cash flow of the District is the greatest.

District Response: We will increase the maximum deposit amount allowed by our depository resolution.

Conclusion: Response accepted.

05-IV-B Certified Budget: Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.

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

05-IV-D Travel Expenses: 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.

05-IV-E 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>
		\$
Ed Maier, Maier Pharmacy	General supplies	409

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500.

05-IV-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

05-IV-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

05-IV-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2004, was overstated by 2 open enrolled in students.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact these departments.

Conclusion: Response accepted.

MAPLE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting (Continued):

05-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

05-IV-J Certified Annual Report: The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

05-II-K Deficit Balances: The District has an unreserved deficit fund balance in the Management fund of \$16,625 and the Student Activity Fund has several accounts with deficit balances at June 30, 2005.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

05-II-L Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. We noted accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

05-II-M Signature on Checks: We noted someone other than the Board Secretary signed several checks. All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign when the Board President is unavailable.

Recommendation: The District should revise its check signing procedures.

District Response: We will review our procedures and make any necessary changes to be in compliance with the Code of Iowa.

Conclusion: Response accepted.

05-II-N Home School Assistance Program Expenditures: We reviewed expenditures of State monies received for the home school assistance program. We noted one payment for school supplies made from the District directly to parents.

Recommendation: The District should not be making payments to parents. The District may purchase education supplies for the home school assistance program directly from the vendors. Any supplies purchased for the home school program must be the type of supplies that the District could purchase for use in the public school.

District Response: We are no longer reimbursing parents for supplies. We will monitor the types of supplies that are purchased for the home school assistance program.

Conclusion: Response accepted.