

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

**JUNE 30, 2006**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditors' Report		5-6
Management's Discussion and Analysis		7-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	13-14
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	15-16
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	17
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	18
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	19
Notes to Financial Statements		20-30
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		32-33
Notes to Required Supplementary Information – Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	36-37
Schedule of Indebtedness	2	38-39
Bond and Note Maturities	3	40-41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	42
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		44-45
Schedule of Findings		46-49

**City of Missouri Valley**

**Officials**

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

<u>Name</u>	<u>Title</u> <b>(After January 2006 Election)</b>	<u>Term Expires</u>
Randy McHugh	Mayor	January 2008
Sherman Struble	Council Member	January 2008
Roger Marshall	Council Member	January 2008
Dan Kougias	Council Member	January 2008
Victoria Lee	Council Member	January 2010
Gene Dinsmore	Council Member	January 2010
Robert J. Alborn	City Clerk	Indefinite
Jan Guill	Treasurer	Indefinite
Shane Warner	Attorney	Indefinite

**City of Missouri Valley**

October 5, 2006

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Missouri Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

Independent Auditors' Report  
City of Missouri Valley

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 5, 2006 on our consideration of the City of Missouri Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 7 through 11 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Missouri Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Missouri Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased by \$122,200 from fiscal year 2005 to fiscal year 2006. Property tax revenue increased by \$7192, however, TIF revenue was down by \$10,630. Misc. revenue decreased by \$137,669, mostly due to library construction that was completed in 2005.
- Disbursements increased by \$981,281 in fiscal year 2006 from fiscal year 2005 due to debt service increase of \$362,189 and community & economic development \$598,168. The City received bond proceeds of \$618,844 to offset refinancing existing bonds and loan to Carry-On Trailer, which will be paid back through Tax Increment Financing.
- The City's total cash basis net assets increased \$27,599 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased by \$126,791 and the assets of the business type activities decreased by \$99,192.

### USING THIS ANNUAL REPORT

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

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

The government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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

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

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

## **Basis of Accounting**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The city's cash balance for governmental activities increased by \$126,791 from a year ago. The analysis that follows focuses on the changes in cash balances for government activities.

The City's property tax rate for fiscal 2006 is at \$16.76142 per \$1,000 valuation, which is an increase from the property tax rate for fiscal 2005 of \$16.68113.

The cost of all governmental activities this year was \$2,929,185. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$1,536,538. The city paid for this with property taxes, local option sales taxes, and other receipts.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Receipts:		
Property tax	\$ 954,490	947,298
Tax increment financing collections	264,215	274,845
Other city tax	260,569	266,249
Licenses and permits	10,690	8,278
Use of money and property	71,127	28,913
Intergovernmental	293,004	319,538
Charges for service	170,013	163,518
Miscellaneous	<u>53,296</u>	<u>190,965</u>
Total receipts	2,077,404	2,199,604
Disbursements:		
Operating:		
Public safety	428,948	377,686
Public works	483,418	377,457
Culture and recreation	376,793	428,532
Community and economic development	598,168	-
General government	280,952	242,345
Debt service	684,935	322,746
Capital project	<u>75,971</u>	<u>199,138</u>
Total disbursements	<u>2,929,185</u>	<u>1,947,904</u>
Excess (deficiency) of receipts over (under) disbursements	(851,781)	251,700
Other financing sources (uses):		
Bond proceeds	962,284	-
Sale of capital assets	16,288	-
Operating transfers in	343,179	304,804

Operating transfers out	<u>(343,179)</u>	<u>(304,804)</u>
Total other financing sources	<u>978,572</u>	<u>-</u>
Net changes in cash balances	126,791	251,700
Cash balances beginning of year	<u>2,510,230</u>	<u>2,258,530</u>
Cash balances end of year	\$ <u>2,637,021</u>	\$ <u>2,510,230</u>

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**Changes in Cash Basis Net Assets of Business Type Activities**

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	Year Ended	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Operating receipts:		
Charges for service	\$ 782,047	\$ 763,297
Miscellaneous	<u>12,638</u>	<u>10,595</u>
Total operating receipts	794,685	773,892
Operating disbursements:		
Business type activities	<u>614,014</u>	<u>609,399</u>
Total operating disbursements	<u>614,014</u>	<u>609,399</u>
Excess of operating receipts over operating disbursements	180,671	164,493
Non-operating receipts (disbursements):		
Intergovernmental	3,000	-
Interest on investments	7,770	4,535
Miscellaneous	(12,887)	(8,972)
Capital projects	(166,678)	(2,918)
Debt service	<u>(111,068)</u>	<u>(110,516)</u>
Total non-operating receipts (disbursements)	<u>(279,863)</u>	<u>(117,871)</u>
Excess (deficiency) of receipts over (under) disbursements	(99,192)	46,622
Cash balances beginning of year	<u>936,507</u>	<u>889,885</u>
Cash balances end of year	\$ <u>837,315</u>	\$ <u>936,507</u>

## **BUDGETARY HIGHLIGHTS**

The City amended its budget on May 23, 2006 to allow for increased expenditures due to library construction and an economic development loan to Carry-On Trailer.

## **DEBT ADMINISTRATION**

At June 30, 2006, the City had approximately \$2,066,213 in bonds and other long-term debt, compared to approximately \$1,657,528 last year, as shown below.

Outstanding Debt at Year End		
	June 30,	
	2006	2005
General Obligation notes	\$ 1,390,213	822,528
TIF Revenue bonds	100,000	180,000
Revenue notes	576,000	655,000
Total	\$ 2,066,213	1,657,528

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately \$1,390,213 is below its constitutional debt limit of approximately \$3,200,000.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Missouri Valley will be setting the 2007 budget at a high rate again this year due to the start of construction of a new water treatment plant, which will increase revenues from grant and loan proceeds, but will also increase expenditures due to construction expenses. The water rates will be increasing this next budget year as well as the following year to help cover the costs of the water treatment plant, which is being financing through a combination of General Obligation and Water Revenue bonds. Due to union negotiations, police wages and benefits will increase substantially over what was expected in the 2007 fiscal year. Expenditures may also increase as the City considers the need to either build a new lagoon cell and/or dredge on existing cell, which could be a major expense. The continued rise in fuel prices, major medical health insurance costs and the State rollback are negative economic factors which must be considered in the fiscal 2007 budget.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**City of Missouri Valley**  
**Basic Financial Statements**

City of Missouri Valley  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2006

	Disbursements	Charges for Service	<b>Program</b> Operating Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 428,948	18,745	14,127
Public works	483,418	60,994	269,000
Culture and recreation	376,793	93,574	6,399
Community and economic development	598,168	-	-
General government	280,952	11,990	2,500
Debt service	684,935	-	-
Capital project	75,971	-	-
Total governmental activities	2,929,185	185,303	292,026
Business type activities:			
Water	518,282	568,261	-
Sewer	386,365	226,376	-
Total business type activities	904,647	794,637	-
Total	\$ 3,833,832	979,940	292,026

**General Receipts:**

Property tax levied for:  
General purposes  
Tax increment financing  
Debt service  
Local option sales tax  
Unrestricted interest on investments  
Bond proceeds (net of \$16,660 discount)  
Miscellaneous  
Sale of assets  
Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
Streets  
Local option sales tax  
Debt service  
Other purpose  
Meter deposits  
Permanent fund  
Unrestricted

Total cash basis net assets

See notes to financial statements

<u>Receipts</u>	<u>Net (Disbursement) Receipts and Changes In Cash Basis Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Capital Grants			
Contributions			
and Restricted			
Interest			
-			
-	(396,076)	-	(396,076)
-	(153,424)	-	(153,424)
-	(276,820)	-	(276,820)
-	(598,168)	-	-
-	(266,462)	-	(266,462)
-	(684,935)	-	(684,935)
-	(75,971)	-	(75,971)
-	<u>(2,451,856)</u>	-	<u>(1,853,688)</u>
-	-	49,979	49,979
3,000	-	<u>(156,989)</u>	<u>(156,989)</u>
3,000	-	<u>(107,010)</u>	<u>(107,010)</u>
<u>3,000</u>	<u>(2,451,856)</u>	<u>(107,010)</u>	<u>(1,960,698)</u>
\$	863,572	-	863,572
	264,215	-	264,215
	203,488	-	203,488
	147,999	-	147,999
	63,537	7,770	71,307
	962,284	-	962,284
	57,264	48	57,312
	16,288	-	16,288
	<u>2,578,647</u>	<u>7,818</u>	<u>2,586,465</u>
	126,791	(99,192)	27,599
	<u>2,510,230</u>	<u>936,507</u>	<u>3,446,737</u>
\$	<u>2,637,021</u>	<u>837,315</u>	<u>3,474,336</u>
\$	337,588	-	337,588
	724,698	-	724,698
	1,237,744	42,500	1,280,244
	239,286	-	239,286
	-	101,937	101,937
	84,652	-	84,652
	13,053	692,878	705,931
\$	<u>2,637,021</u>	<u>837,315</u>	<u>3,474,336</u>

City of Missouri Valley  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2006

	<u>General</u>	<u>Special Revenue</u>	
		<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
Receipts			
Property tax	\$ 548,839	-	-
Tax increment financing collections	-	-	-
Other city tax	102,841	-	147,999
Licenses and permits	10,690	-	-
Use of money and property	70,012	-	-
Intergovernmental	24,004	269,000	-
Charges for service	170,013	-	-
Miscellaneous	49,093	1,528	-
Total receipts	<u>975,492</u>	<u>270,528</u>	<u>147,999</u>
Disbursements			
Operating:			
Public safety	352,342	-	-
Public works	115,179	325,487	-
Culture and recreation	353,260	-	-
Community and economic development	598,168	-	-
General government	248,340	-	-
Debt service	8,781	-	-
Capital project	-	-	-
Total disbursements	<u>1,676,070</u>	<u>325,487</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(700,578)	(54,959)	147,999
Other financing sources (uses):			
Bond proceeds	618,844	-	-
Sale of capital assets	16,288	-	-
Operating transfers in	-	-	-
Operating transfers out	(32,684)	(46,280)	-
Total other financing sources (uses)	<u>602,448</u>	<u>(46,280)</u>	<u>-</u>
Net change in cash balances	(98,130)	(101,239)	147,999
Cash balances beginning of year	<u>111,183</u>	<u>438,827</u>	<u>576,699</u>
Cash balances end of year	<u>\$ 13,053</u>	<u>337,588</u>	<u>724,698</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	13,053	-	-
Special revenue funds	-	337,588	724,698
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 13,053</u>	<u>337,588</u>	<u>724,698</u>

See notes to financial statements

**Exhibit B**

Debt Service	Other Nonmajor Governmental Funds	Total
199,029	206,622	954,490
-	264,215	264,215
4,459	5,270	260,569
-	-	10,690
-	1,115	71,127
-	-	293,004
-	-	170,013
-	2,675	53,296
<u>203,488</u>	<u>479,897</u>	<u>2,077,404</u>
-	76,606	428,948
-	42,752	483,418
-	23,533	376,793
-	-	598,168
-	32,612	280,952
676,154	-	684,935
-	75,971	75,971
<u>676,154</u>	<u>251,474</u>	<u>2,929,185</u>
(472,666)	228,423	(851,781)
343,440	-	962,284
-	-	16,288
310,495	32,684	343,179
-	(264,215)	(343,179)
<u>653,935</u>	<u>(231,531)</u>	<u>978,572</u>
181,269	(3,108)	126,791
<u>1,056,475</u>	<u>327,046</u>	<u>2,510,230</u>
<u>1,237,744</u>	<u>323,938</u>	<u>2,637,021</u>
1,237,744	-	1,237,744
-	-	13,053
-	239,286	1,301,572
-	84,652	84,652
<u>1,237,744</u>	<u>323,938</u>	<u>2,637,021</u>

City of Missouri Valley  
 Reconciliation of the Statement of Cash  
 Receipts, Disbursements and Changes in Cash Balances  
 to the Statement of Activities and Net Assets -  
 Governmental Funds  
 As of and for the year ended June 30, 2006

<b>Total governmental funds cash balances</b>	\$	2,637,021
<i>Adjustments</i>		
None		-
<b>Cash basis net assets of governmental activities</b>	\$	2,637,021
<b>Net change in cash balances</b>	\$	126,791
<i>Adjustments</i>		
None		-
<b>Change in cash balance of governmental activities</b>	\$	126,791

See notes to financial statements

City of Missouri Valley  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2006

	Water	Water Capital Project	Sewer	Sewer Capital Project	Total
Operating receipts:					
Charges for service	\$ 555,671	-	226,376	-	782,047
Miscellaneous	12,590	48	-	-	12,638
Total operating receipts	568,261	48	226,376	-	794,685
Operating disbursements:					
Business type activities	422,961	-	191,053	-	614,014
Total operating disbursements	422,961	-	191,053	-	614,014
Excess of operating receipts over operating disbursements	145,300	48	35,323	-	180,671
Non-operating receipts (disbursements):					
Intergovernmental	-	3,000	-	-	3,000
Interest on investments	3,790	-	3,980	-	7,770
Miscellaneous	(12,887)	-	-	-	(12,887)
Capital projects	-	(82,434)	-	(84,244)	(166,678)
Debt service	-	-	(111,068)	-	(111,068)
Total non-operating receipts (disbursements)	(9,097)	(79,434)	(107,088)	(84,244)	(279,863)
Net change in cash balances	136,203	(79,386)	(71,765)	(84,244)	(99,192)
Cash balances beginning of year	932,411	(397,005)	401,101	-	936,507
Cash balances end of year	\$ 1,068,614	(476,391)	329,336	(84,244)	837,315
 <b>Cash Basis Fund Balances</b>					
Reserved:					
Debt service	\$ -	-	42,500	-	42,500
Meter deposits	101,937	-	-	-	101,937
Unreserved	966,677	(476,391)	286,836	(84,244)	692,878
Total cash basis fund balances	\$ 1,068,614	(476,391)	329,336	(84,244)	837,315

See notes to financial statements

City of Missouri Valley  
 Reconciliation of the Statement of Cash Receipts, Disbursements  
 and Changes in Cash Balances  
 to the Statement of Activities and Net Assets –  
 Proprietary Funds  
 As of and for the year ended June 30, 2006

<b>Total enterprise funds cash balances</b>	\$	837,315
<i>Adjustments</i>		
None		-
<b>Cash basis net assets of business type activities</b>	\$	837,315
<b>Net change in cash balances</b>	\$	(99,192)
<i>Adjustments</i>		
None		-
<b>Change in cash balance of business type activities</b>	\$	(99,192)

See notes to financial statements

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

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

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

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies - Continued**

B. Basis of Presentation - Continued

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

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

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

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies - Continued**

B. Basis of Presentation - Continued

The City reports the following major proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the community and economic development, debt service, capital projects, and business type activities functions.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies - Continued**

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2004, to compute the amounts which became liens on property on July 1, 2005. These taxes were due and payable in two installments on September 30, 2005 and March 31, 2006, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The carrying amount of cash at June 30, 2006 is \$3,132,416. This amount consists of checking accounts, money market and savings accounts, and certificates of deposit. Of this amount, \$3,121,721 is covered by federal depository insurance and \$10,695 is covered by collateral held by the city's agent in the City's name, except for \$185 which is petty cash.

At June 30, 2006, the City had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Federal Home Loan Bond	233,360	219,462
Public Service Co. Oklahoma Note	51,480	47,580
Insured Municipal Funds	42,215	40,524
U.S. Government Securities	<u>14,864</u>	<u>14,625</u>
	<u>\$ 341,919</u>	<u>\$ 322,191</u>

Credit risk

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

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

**NOTE (2) Cash and Pooled Investments - Continued**

Interest rate risk

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

The City's total cash and investment was \$3,474,336 at June 30, 2006.

**NOTE (3) Bonds and Notes Payable**

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

Year Ended June 30,	<b>General Obligation Bonds</b> Principal	<b>Urban Renewal Tax Increment Financing (TIF) Revenue Bonds</b> Principal	<b>Revenue Bonds</b> Principal	<b>Total</b> Principal
2007	\$ 224,337	\$ 30,000	\$ 85,000	\$ 339,337
2008	174,489	35,000	90,000	299,489
2009	215,247	35,000	91,000	341,247
2010	180,570	-	97,000	277,570
2011	155,570	-	103,000	258,570
2012-2015	440,000	-	110,000	550,000
Total	<u>\$ 1,390,213</u>	<u>\$ 100,000</u>	<u>\$ 576,000</u>	<u>\$ 2,066,213</u>
Year Ended June 30,	Interest	Interest	Interest	Interest
2007	\$ 58,161	\$ 8,102	\$ 28,851	\$ 95,114
2008	49,634	5,688	24,214	79,536
2009	41,291	2,852	19,364	63,507
2010	32,397	-	14,292	46,689
2011	24,631	-	8,835	33,466
2012-2015	41,980	-	3,022	45,002
Total	<u>\$ 248,094</u>	<u>\$ 16,642</u>	<u>\$ 98,578</u>	<u>\$ 363,314</u>

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

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

**NOTE (3) Bonds and Notes Payable - Continued**

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

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

- a) The notes will only be redeemed from the future earnings of the enterprise activity, and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to separate revenue note sinking funds for the purpose of making the note principal and interest payments when due.
- c) The revenue note ordinances require the following balances be placed in revenue note reserve funds:
  1. Water Reserve Fund - \$30,000

The City has complied with the revenue note provisions.

The City has a legal debt limit of approximately \$3,127,995 which was not exceeded during the year ended June 30, 2006.

In November, 2005, the City issued new General Obligation Corporate Purpose Bonds and Refunding Bonds in the amount of \$980,000. Of the proceeds, \$335,000 was used to pay off existing debt and \$598,198 was used to purchase land for use by a local manufacturing plant to build a new facility.

**NOTE (4) Pension and Retirement Benefits**

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

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

**NOTE (4) Pension and Retirement Benefits - Continued**

Most regular plan members are required to contribute 3.7% of their annual salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$47,423, \$43,782, and \$43,834 respectively, equal to the required contributions for each year.

**NOTE (5) Leases**

In December 2003, the City entered into a lease agreement for a piece of equipment for \$198 per month for 48 months. Rent expense for the operating lease for the year ended June 30, 2006, was \$2,376. Future minimum lease payments are as follows:

For the year ended:	
06-30-07	\$ <u>1,188</u>

**NOTE (6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2006, primarily relating to the General Fund is as follows:

<u>Type of Benefit</u>	<u>Amount</u> <u>June 30, 2006</u>
Vacation	\$ <u>24,700</u>

This liability is computed based on rates of pay effective as of June 30, 2006.

**NOTE (7) Industrial Development Revenue Bonds**

The City has issued a total of \$1,750,000 of Industrial Development Revenue Bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$5,000 is outstanding at June 30, 2006. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

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

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

**NOTE (9) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The city's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$72,293.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

**NOTE (9) Risk Management - Continued**

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool, up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claim shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

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

**NOTE (10) Contingent Liabilities**

Economic Development Loan

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

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

**NOTE (10) Contingent Liabilities - Continued**

In April 2005, The City entered into a new loan with Iowa Department of Economic Development for the balance of the original note which was \$22,321, with interest being charged at 1.218%. The company made the required payments of \$942 per month from July through December 2005, and in January 2006 paid off the balance of the loan. Therefore, the outstanding loan balance at June 30, 2006 is \$0.

**NOTE (11) Commitments**

Water Tank Maintenance Contract

In January, 2003, the City entered into an agreement with Utility Service Co., Inc. for total care and maintenance of the 750,000 gallon elevated water storage tower. The full renovation cost and maintenance fees are spread over the initial three years of the contract. In year four, the cost will be the established base fee of \$19,075. The contract can be renewed every three years. The City made the required payment of \$19,075 in January, 2006.

**NOTE (12) Missouri Valley Development Corporation Agreement**

In April, 1999, the City loaned the Missouri Valley Development Corporation \$25,000 for the construction of a commercial building within the City of Missouri Valley. A promissory note was signed in December, 1999, with the Corporation agreeing to repay the loan as follows: annual payments of interest only in the amount of \$1,375 per year. Beginning in the year 2005 through 2014, the sum of \$2,451 will be repaid each year. In the year 2015 the entire balance, principal and accrued interest will be due in full.

In November, 2004, the Corporation sold the building. The City agreed to extend the \$25,000 loan to the Corporation for future projects. Interest will continue to accrue at 5.5%. The City received an interest payment during the year ended June 30, 2006 of \$1,375.

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

In February, 2006, the City remitted the required tax rebate payment to the occupant in the amount of \$4,609.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2006

**NOTE (13) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Road Use	\$ 46,280
	Tax Increment financing collection	264,215
		<u>310,495</u>
Capital Project:		
Library Construction	General	32,684
Enterprise:	Enterprise:	
Sewer sinking	Sewer	114,068
Sewer	Sewer Revenue	112,275
		<u>226,343</u>
		<u>\$ 569,522</u>

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

**NOTE (14) Deficit Fund Balances**

The Enterprise Funds, Water Treatment Plant Capital Projects Fund and Sewer Treatment Plant Capital Projects Fund, had deficit fund balances of \$476,391 and \$84,244, respectively, at June 30, 2006. The deficits were a result of project costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of state grants and loans.

**NOTE (15) Water Treatment Plant Improvements**

The City was awarded a \$600,000 CDBG grant to assist in financing a water treatment plant improvement project. During the year, one draw down on these funds was made in the amount of \$3,000 for administrative expenses.

As reported in Note 16, construction contracts for the project were signed in July, 2006, and; therefore, no construction costs were incurred during the current year. However, \$74,649 was paid for engineering costs related to the project.

**NOTE (16) Subsequent Events**

The City awarded two construction contracts for the water treatment facility improvement project in July 2006 in the amounts of \$3,980,000 and \$601,736.

The City signed a contract to purchase a 2006 vehicle for \$16,100 in July 2006.

In September 2006, the City authorized \$3,000,000 general obligation notes to be issued for the water treatment facility improvement project.

**Required Supplementary Information**

City of Missouri Valley  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Net</u>
<b>Receipts</b>			
Property tax	\$ 954,490	-	954,490
Tax increment financing collections	264,215	-	264,215
Other city tax	260,569	-	260,569
Licenses and permits	10,690	-	10,690
Use of money and property	71,127	7,770	78,897
Intergovernmental	293,004	3,000	296,004
Charges for service	170,013	782,047	952,060
Miscellaneous	53,296	12,638	65,934
Total receipts	<u>2,077,404</u>	<u>805,455</u>	<u>2,882,859</u>
<b>Disbursements</b>			
Public safety	428,948	-	428,948
Public works	483,418	-	483,418
Culture and recreation	376,793	-	376,793
Community and economic development	598,168	-	598,168
General government	280,952	-	280,952
Debt service	684,935	-	684,935
Capital projects	75,971	-	75,971
Business type activities	-	904,647	904,647
Total disbursements	<u>2,929,185</u>	<u>904,647</u>	<u>3,833,832</u>
Excess (deficiency) of receipts over (under) disbursements	(851,781)	(99,192)	(950,973)
Other financing sources, net	<u>978,572</u>	<u>-</u>	<u>978,572</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	126,791	(99,192)	27,599
Balances beginning of year	<u>2,510,230</u>	<u>936,507</u>	<u>3,446,737</u>
Balances end of year	<u>\$ 2,637,021</u>	<u>837,315</u>	<u>3,474,336</u>

See accompanying independent auditors' report

Budgeted Amounts		Final to Net Variance
Original	Final	
904,645	904,645	49,845
194,910	194,910	69,305
240,911	240,911	19,658
11,800	11,800	(1,110)
25,000	25,000	53,897
465,324	465,324	(169,320)
1,068,332	1,068,332	(116,272)
219,200	219,200	(153,266)
<u>3,130,122</u>	<u>3,130,122</u>	<u>(247,263)</u>
456,080	456,080	27,135
550,850	550,850	67,432
377,220	419,541	42,748
-	-	(598,168)
385,775	983,942	702,990
397,095	397,095	(287,840)
-	-	(75,971)
873,447	873,447	(31,200)
<u>3,040,467</u>	<u>3,680,955</u>	<u>(152,877)</u>
89,655	(550,833)	578,432
-	-	(978,572)
89,655	(550,833)	578,432
<u>2,985,047</u>	<u>2,344,559</u>	<u>1,102,178</u>
<u>3,074,702</u>	<u>1,793,726</u>	<u>1,680,610</u>

City of Missouri Valley  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2006

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$640,488. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006 disbursements exceeded the amounts budgeted in the community and economic development, debt service, capital projects and business type activities functions.

**Other Supplementary Information**

City of Missouri Valley  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2006

	Special Revenue		
	Employee Benefits	Urban Renewal Tax Increment	CDBG Housing Rehab
Receipts:			
Property tax	\$ 206,622	-	-
Tax increment financing collections	-	264,215	-
Other city tax	5,270	-	-
Use of money and property	-	-	1,101
Miscellaneous	-	-	1,375
Total receipts	211,892	264,215	2,476
Disbursements:			
Operating:			
Public safety	76,606	-	-
Public works	42,752	-	-
Culture and recreation	23,533	-	-
General government	32,612	-	-
Capital project	-	-	-
Total disbursements	175,503	-	-
Excess (deficiency) of receipts over (under) disbursements	36,389	264,215	2,476
Other financing sources (uses):			
Operating transfers in (out)	-	(264,215)	-
Net change in cash balances	36,389	-	2,476
Cash balances beginning of year	149,259	-	51,162
Cash balances end of year	\$ 185,648	-	53,638
 <b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	\$ 185,648	-	53,638
Permanent fund	-	-	-
Total cash basis fund balances	\$ 185,648	-	53,638

See accompanying independent auditors' report

**Schedule 1**

<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
Library Construction		
-	-	206,622
-	-	264,215
-	-	5,270
14	-	1,115
-	1,300	2,675
<u>14</u>	<u>1,300</u>	<u>479,897</u>
-	-	76,606
-	-	42,752
-	-	23,533
-	-	32,612
75,971	-	75,971
<u>75,971</u>	<u>-</u>	<u>251,474</u>
(75,957)	1,300	228,423
<u>32,684</u>	<u>-</u>	<u>(231,531)</u>
(43,273)	1,300	(3,108)
<u>43,273</u>	<u>83,352</u>	<u>327,046</u>
<u>-</u>	<u>84,652</u>	<u>323,938</u>
-	-	239,286
-	84,652	84,652
<u>-</u>	<u>84,652</u>	<u>323,938</u>

City of Missouri Valley  
Schedule of Indebtedness  
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Street improvement	Jul 1, 1997	5.25 %	\$ 195,000
Street improvement	Aug 1, 1997	5.25 – 5.30 %	715,000
Bridge improvement	Jul 1, 1999	4.60 – 4.85 %	240,000
Street Sweeper	Jun 1, 2001	5.75 %	85,000
General purpose notes	Nov 1, 2001	4.15 – 5.00 %	455,000
General obligation and refunding bonds	Nov 22, 2005	3.20 – 4.10 %	980,000
JD Tractor	Jul 10, 2003	7.90 %	8,510
International Truck	Jul 1, 2004	4.60 %	44,321
JD Mower	Mar 15, 2005	8.50 %	15,800
Ambulance	May 16, 2006	5.63 %	77,850
Skid loader	Jul 12, 2005	11.27 %	44,000
Total			
Urban renewal tax increment financing (TIF) revenue bonds:			
Economic development	Sep 1, 1996	8.00 – 8.15 %	\$ 290,000
Street improvement	Sep 1, 1996	5.55 – 5.65 %	250,000
Total			
Revenue notes:			
Sewer	Mar 16, 1992	3.00 %	\$ 337,000
Sewer	Nov 1, 1996	5.45 – 5.75 %	885,000
Total			

See accompanying independent auditors' report

**Schedule 2**

	<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$	30,000	-	30,000	-	748	-
	255,000	-	255,000	-	6,361	-
	135,000	-	25,000	110,000	6,368	-
	18,383	-	18,383	-	1,454	-
	335,000	-	40,000	295,000	15,473	-
	-	980,000	135,000	845,000	19,426	-
	2,830	-	2,830	-	233	-
	36,234	-	8,458	27,776	1,663	-
	10,081	-	4,827	5,254	891	-
	-	77,850	-	77,850	-	-
	-	44,000	14,667	29,333	1,654	-
\$	<u>822,528</u>	<u>1,101,850</u>	<u>534,165</u>	<u>1,390,213</u>	<u>54,271</u>	<u>-</u>
\$	130,000	-	30,000	100,000	10,502	-
	50,000	-	50,000	-	1,330	-
\$	<u>180,000</u>	<u>-</u>	<u>80,000</u>	<u>100,000</u>	<u>11,832</u>	<u>-</u>
\$	150,000	-	19,000	131,000	5,430	-
	505,000	-	60,000	445,000	26,638	-
\$	<u>655,000</u>	<u>-</u>	<u>79,000</u>	<u>576,000</u>	<u>32,068</u>	<u>-</u>

City of Missouri Valley  
Bond and Note Maturities  
June 30, 2006

Year Ending June 30,	Skid Loader Issued Jul 12, 2005		GO Corp & Refunding Notes Issued Nov 22, 2005		<b>General Obligation</b> Bridge Improvement Issued Jul 1, 1999	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
	2007	3.75 %	\$ 14,717	3.35 %	\$ 110,000	4.65 %
2008	3.75 %	14,616	3.40 %	65,000	4.70 %	25,000
2009	-	-	3.50 %	110,000	4.75 %	30,000
2010	-	-	3.60 %	85,000	4.85 %	30,000
2011	-	-	3.70 %	90,000	-	-
2012	-	-	3.80 %	90,000	-	-
2013	-	-	3.90 %	95,000	-	-
2014	-	-	4.00 %	100,000	-	-
2015	-	-	4.10 %	100,000	-	-
Total		\$ 29,333		\$ 845,000		\$ 110,000

Year Ending June 30,	<b>Urban Renewal Tax Increment Financing (TIF) Revenue Bonds</b> Economic Development Issued Sep 1, 1996	
	Interest Rate	Amount
2007	8.05 %	\$ 30,000
2008	8.10 %	35,000
2009	8.15 %	35,000
2010	-	-
2011	-	-
2012	-	-
Total		\$ 100,000

See accompanying independent auditors' report

**Schedule 3**

**Bonds**

GO Corp Purpose Notes Issued Nov 1, 2001		Ambulance Issued May 16, 2006		International Truck Issued Jul 1, 2004		JD Mower Issued Mar 15, 2005		Total
Interest		Interest		Interest		Interest		
Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
4.30 %	\$ 45,000	5.625 %	\$ 15,570	4.60 %	\$ 8,846	8.50 %	\$ 5,254	\$ 224,387
4.50 %	45,000	5.625 %	15,570	4.60 %	9,253	-	-	174,439
4.60 %	50,000	5.625 %	15,570	4.60 %	9,677	-	-	215,247
4.80 %	50,000	5.625 %	15,570	-	-	-	-	180,570
4.90 %	50,000	5.625 %	15,570	-	-	-	-	155,570
5.00 %	55,000	-	-	-	-	-	-	145,000
-	-	-	-	-	-	-	-	95,000
-	-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	-	100,000
	<u>\$ 295,000</u>		<u>\$ 77,850</u>		<u>\$ 27,776</u>		<u>\$ 5,254</u>	<u>\$ 1,390,213</u>

**Revenue Notes**

Sewer Issued Oct. 15, 1999		Sewer Issued Feb. 28, 2003		Total
Interest Rate	Amount	Interest Rate	Amount	
3.00 %	\$ 20,000	5.45 %	\$ 65,000	\$ 85,000
3.00 %	20,000	5.55 %	70,000	90,000
3.00 %	21,000	5.60 %	70,000	91,000
3.00 %	22,000	5.65 %	75,000	97,000
3.00 %	23,000	5.70 %	80,000	103,000
3.00 %	25,000	5.75 %	85,000	110,000
	<u>\$ 131,000</u>		<u>\$ 445,000</u>	<u>\$ 576,000</u>

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts				
Property tax	\$ 954,490	947,298	1,057,170	976,282
Tax increment financing collections	264,215	274,845	259,246	245,334
Other city tax	460,569	266,249	261,186	295,179
Licenses and permits	10,690	8,278	11,173	7,014
Use of money and property	71,127	28,913	50,951	23,825
Intergovernmental	293,004	319,538	300,177	399,175
Charges for service	170,013	163,518	179,290	138,470
Special assessments	-	-	572	152
Miscellaneous	53,296	190,965	1,270,538	792,034
Total	\$ <u>2,077,404</u>	<u>2,199,604</u>	<u>3,390,303</u>	<u>2,877,465</u>
Disbursements				
Operating:				
Public safety	\$ 428,948	377,686	411,606	493,105
Public works	483,418	377,457	442,890	384,801
Culture and recreation	376,793	428,532	353,463	625,189
Community and economic development	598,168	-	-	-
General government	280,952	242,345	211,421	272,855
Debt service	684,935	322,746	360,600	353,267
Capital projects	75,971	199,138	1,464,836	-
Total	\$ <u>2,929,185</u>	<u>1,947,854</u>	<u>3,244,816</u>	<u>2,129,217</u>

See accompanying independent auditors' report

**City of Missouri Valley**

October 5, 2006

Independent Auditors' 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 Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 5, 2006. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Missouri Valley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

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

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Missouri Valley and other parties to whom the City of Missouri Valley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2006

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

No matters were reported.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2006

**Part II: Other Findings Related to Statutory Reporting:**

II-A-06     Certified Budget

Comment - Disbursements during the year ended June 30, 2006 exceeded the amounts in the budget in the community and economic development, debt service, capital projects, and business type activities functions. Chapter 384.20 of the code of Iowa states in part that “public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

II-B-06     Entertainment Expense

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

II-C-06     Travel Expense

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

II-D-06     Business Transactions

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

II-E06     Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06     Council Minutes

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

II-G-06     Revenue Notes

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

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2006

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

II-H-06      Excess Balances

Comment – The balances in the Special Revenue Fund-Employee Benefits Account, Local Option Sales Tax Account, the Debt Service Fund and the Enterprise Fund-Water Sewer Account at June 30, 2006, were in excess of the accounts' disbursements for the year.

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

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

Conclusion – Response accepted.

II-I-06      Financial Condition

Comment – The Enterprise Fund - Water Capital Projects Fund and Sewer Capital Project Fund had deficit balances at June 30, 2006.

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

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

Conclusion – Response accepted

II-J-06      Deposits and Investments

Comment – The City had numerous certificates of deposit at two financial institutions that were not paying interest at the minimum rates established by the State Rate Setting Committee. In addition, the City had a variety of investments held in a depository outside the State of Iowa.

Recommendation – The City should discuss this issue with the financial institutions. Chapters 12C.4 and 12C.5 of the Code of Iowa state in part that “deposits must be held in the County, or adjoining County in which the City is located unless deposits are refused, then the deposits must be held in depositories within the State of Iowa.” The City should deposit funds in allowable depositories.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2006

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

II-J-06     Deposits and Investments - Continued:

Response – The rates have been corrected at one institution and we have been reimbursed for the additional interest. We will continue to pursue the issue at the other institution. We will attempt to get the Library to move their investments to allowable depositories.

Conclusion – Response accepted.

II-K-06     Policy on Procedures for Delinquent Utility Accounts

Comment – The City does not have a written policy addressing the procedures for delinquent utility accounts.

Recommendation – The City should have a written policy addressing the procedures concerning shut off policies on delinquent accounts.

Response – We will review this.

Conclusion – Response accepted.

II-L-06     Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2006:

Insurer	Description	Amount	Date
IMWCA	Workers' compensation and employer's liability:		
	Each occurrence	\$ 500,000	Jul 1, 2006
	Policy limit	1,000,000	Jul 1, 2006
ICAP	Blanket building and contents	10,412,099	Apr 1, 2006
ICAP	Commercial Umbrella	4,000,000	Apr 1, 2006
ICAP	Automobile coverage:		
	Bodily injury liability:		
	Each occurrence	4,000,000	Apr 1, 2006
	Uninsured/underinsured motorists	4,000,000	Apr 1, 2006
ICAP	Fidelity bond coverage for:		
	Clerk	25,000	Apr 1, 2006
	Treasurer	25,000	Apr 1, 2006
ICAP	Public officials' errors and omissions	100,000	Apr 1, 2006

Statistical Information

Utility customers served at June 30, 2006 1,241

Gallons billed during the year ended June 30, 2006  
were approximately 99,526,000



# NEWS RELEASE

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

The City's receipts totaled \$3,861,431 for the year ended June 30, 2006, a 30 percent increase from 2005. The receipts included \$1,067,060 in property tax, \$264,215 from tax increment financing collections, \$979,940 from charges for service, \$292,026 from operating grants, contributions and restricted interest, \$3,000 from capital grants, contributions and restricted interest, \$147,999 from local option sales tax, \$71,307 from unrestricted investment earnings, \$962,284 from bond proceeds, \$16,288 from sale of assets and \$57,312 from other general receipts.

Disbursements for the year totaled \$3,833,832, a 43 percent increase from the prior year, and included \$684,935 for debt service, \$598,168 for community and economic development, and \$483,418 for public works. Also, disbursements for business type activities totaled \$904,647.

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



November 11, 2005

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

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

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

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

November 13, 2006

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

We have compiled the annual financial report of the City of Missouri Valley for the year ended June 30, 2006, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the State of Iowa information that is the representation of management. We have not audited or reviewed the financial statements referred to above, and accordingly, do not express an opinion or any other form of assurance on them. These financial statements were compiled by us from financial statements for the same period that we previously audited, as indicated in our report dated October 5, 2006.

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

December 6, 2006

City of Missouri Valley  
Missouri Valley, IA

Dear Rita:

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

Thanks for your help. Please call me with questions.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass  
Shareholder

BM/sh  
Enc.

City of Missouri Valley

Hours Worked: 57.25

December 19, 2006

Robert Alborn  
City of Missouri Valley  
223 East Erie  
Missouri Valley, IA 51555

Dear Bob:

We have filed the required copies of your audit report with the Office of Auditor of State. A filing fee is required to be paid based on your final amended budget according to the following schedule:

<u>Budgeted Expenditures (In millions of dollars)</u>	<u>Fee Amount</u>
Under 1	\$100.00
At least 1, but less than 3	\$175.00
At least 3, but less than 5	\$250.00
At least 5, but less than 10	\$425.00
At least 10, but less than 25	\$625.00
25 and over	\$850.00

You are required to send the appropriate filing fee. The check should be made payable to "Auditor of State" and mailed to Office of Auditor of State, State Capitol Building, Des Moines, IA 50319-0004.

If you have any questions, please do not hesitate to call me at 712-322-8734.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass  
Shareholder

BM/sh

December 19, 2006

David Vaudt  
Office of State Auditor  
State Capitol Building  
Des Moines, IA 50319

Dear Sir:

We have enclosed for your records the following information regarding the audit of the City of Missouri Valley for the year ended June 30, 2006.

- 1 copy of the audit report
- 1 copy of the news release
- 1 copy of the number of hours worked
- 1 copy of the invoice

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass  
Shareholder

BM/sh  
Enc.

