

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

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MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

August 21, 2006

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Missouri Valley Community School District, Missouri Valley, Iowa, as of and for the year ended June 30, 2006, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Missouri Valley Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued our report dated August 21, 2006, on our consideration of Missouri Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Continued . . .

August 21, 2006
Missouri Valley Community School District
Independent Auditors' Report

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Missouri Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Missouri Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements.

2006 FINANCIAL HIGHLIGHTS

- The General Fund unrestricted fund balance was \$515,248 in fiscal year 2006 as compared to \$888,429 in fiscal year 2005. The District's General Fund balance decreased by \$373,181.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state and federal grant revenue in fiscal 2006. An increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2006. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

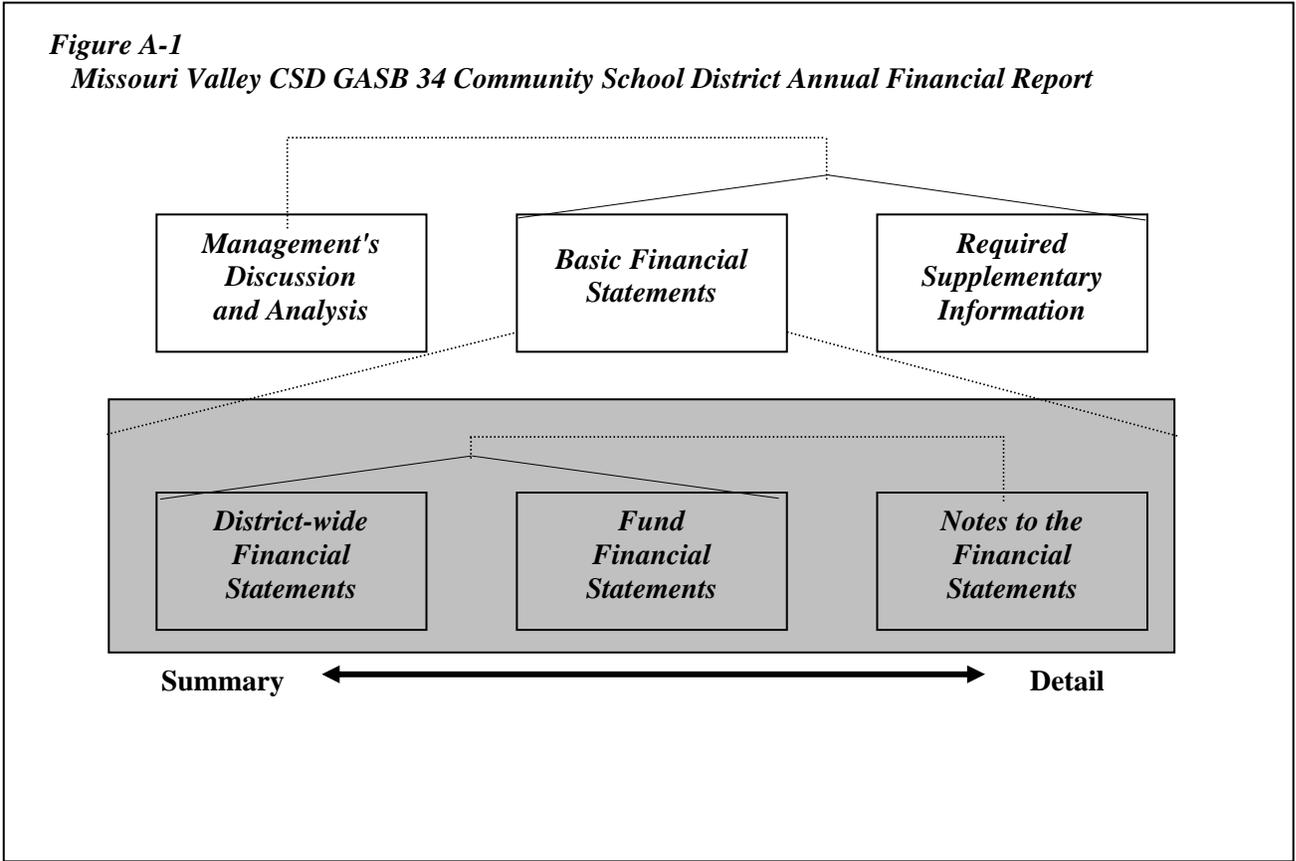


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total		Total Change June 30, 2004-2005
	2006	2005	2006	2005	2006	2005	
Current and other assets	\$ 5,494,553	8,023,545	\$ 13,906	15,013	\$ 5,508,459	8,038,558	31.5
Capital assets	10,658,596	9,796,443	112,263	35,219	10,770,859	9,831,662	(9.5)
Total assets	16,153,149	17,819,988	126,169	50,232	16,279,318	17,870,220	8.9
Long-term liabilities	5,494,224	7,186,298	0	0	5,494,224	7,186,298	23.5
Other liabilities	2,617,287	2,979,450	3,138	4,685	2,620,425	2,984,135	12.2
Total liabilities	8,111,511	10,165,748	3,138	4,685	8,114,649	10,170,433	20.2
Invested in capital assets, Net of related debt	5,528,596	6,326,443	112,263	35,219	5,640,859	6,361,662	11.3
Restricted	302,371	232,850	0	0	302,371	232,850	(29.8)
Unrestricted	2,210,671	1,094,947	10,768	10,328	2,221,439	1,105,275	(100.9)
Total net assets	8,041,638	7,654,240	123,031	45,547	8,164,669	7,699,787	(6.0)

The District's combined net assets are \$8,164,669, with the largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt equal to \$5,640,859. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased primarily as a result of the addition of SILO proceeds from both Harrison and Pottawattamie counties.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$1,116,164. This increase in unrestricted net assets was a result of operating grants and investment earnings.

Figure A-4 shows the change in net assets for the year ended June 30, 2006 and 2005.

Figure A-4
Changes in Net Assets

Governmental		Business-type		Total	
2006	2005	2006	2005	2006	2005

Revenues:						
Charges for services	\$ 557,758	570,316	\$ 214,151	191,050	\$ 771,909	761,366
Operating grants, contributions and restricted interest	856,930	907,075	145,681	129,615	1,002,611	1,036,690
Capital grants, contributions and restricted interest	152,824	14,951	0	0	152,824	14,951
Property tax	2,811,911	2,590,724	0	0	2,811,911	2,590,724
Local option sales tax	476,198	485,170	0	0	476,198	485,170
Unrestricted state grants	3,629,281	3,719,580	0	0	3,629,281	3,719,580
Unrestricted investment earnings	89,500	29,360	333	141	89,833	29,501
Other	62,987	119,578	0	0	62,987	119,578
Transfers	(26,000)	(7,500)	26,000	7,500	0	0
Total revenues	<u>8,611,389</u>	<u>8,429,254</u>	<u>386,165</u>	<u>328,306</u>	<u>8,997,554</u>	<u>8,757,560</u>
Program expenses:						
Instruction	5,206,156	5,217,744	0	0	5,206,156	5,217,744
Support services	2,563,352	2,207,281	0	0	2,563,352	2,207,281
Other expenses	932,829	831,910	0	0	932,829	831,910
Non-instructional	0	0	388,130	338,780	388,130	338,780
	<u>8,702,337</u>	<u>8,256,935</u>	<u>388,130</u>	<u>338,780</u>	<u>9,090,467</u>	<u>8,595,715</u>
Change in net assets	\$ <u>(90,948)</u>	<u>172,319</u>	\$ <u>(1,965)</u>	<u>(10,474)</u>	\$ <u>(92,913)</u>	<u>161,845</u>

Property tax and unrestricted state grants account for 75% 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 – General Fund

The following table presents revenues and expenses of the District's governmental activities in the general fund.

Figure A-5 - Governmental Activity – General Fund

Revenues:	
Local Sources	\$ 2,387,902
State Sources	4,218,909
Federal Sources	<u>277,372</u>
Total Revenue	6,884,183
Expenditures	
Instruction	4,622,022
Support Services	2,333,569
Other-AEA flowthrough	275,773
Transfer	<u>26,000</u>
Total	<u>7,257,364</u>
Deficit	(373,181)
Fund balance beginning of year	<u>888,429</u>
Fund balance end of year	<u>\$ 515,248</u>

Business Type Activities

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

Figure A-6	
Statement of Net Assets – School Nutrition	
Assets	\$ 126,169
Liabilities	<u>3,138</u>
Net Assets	<u>\$ 123,031</u>

INDIVIDUAL FUND ANALYSIS

Governmental Fund Highlights

- The District's declining General Fund financial position is the result of many factors. The primary reasons for a decline in the general fund is due to 1) declining enrollment impacting revenue, and 2)

negotiated settlements that exceed the new monies generated by enrollment. The unrestricted balance ended at \$515,248 providing the district with an approximate 40 days cash reserve.

- The Debt Service Fund ended with a positive balance of \$83,337.
- The Management Fund had a balance of \$48,908 at the end of the year on June 30, 2006. The levy was increased substantially for FY 06 to prevent any negative balance position in the future.
- The Property, Plant and Equipment Fund ended with a positive balance of \$88,348 as of June 30, 2006.
- The Student Activity Fund ended with a positive balance of \$88,807 as of June 30, 2006.

Proprietary Fund Highlights

The School Nutrition Fund expenses of \$388,130 exceeded the revenue of \$360,165 by \$27,965. A transfer of \$26,000 was made from the General Fund to the Nutrition Fund during the year. The Fund had a decrease in net assets from \$124,996 at June 30, 2005 to \$123,031 at June 30, 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets for Governmental Activities

At June 30, 2006, the District had invested \$10,770,859 in a broad range of capital assets for governmental and business type activities.

Long-Term Debt

At June 30, 2006, the District had \$5,494,224 in general obligation, revenue and other long-term debt outstanding representing a 23% reduction from last year.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment for the past two years, and expects to continue to have a slight decline in enrollment. If settlements continue to exceed new monies, significant reductions in staff will be needed to reduce expenditures.
- The District acquired \$778,746 in LOSST Revenue Bonds, and \$1,000,000 in Quality Zone Academy Bonds in FY06. This \$1,778,746 was targeted for use in replacement of the high school HVAC System in FY07.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Tom Micek, Superintendent of Schools or Ms. Robyn Wohlers, Business Manager for the Missouri Valley Community School District located at 109 E. Michigan Street, Missouri Valley, Iowa.

Basic Financial Statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,654,790	8,279	2,663,069
Receivables:			
Property tax:			
Delinquent	26,635	-	26,635
Succeeding year	2,552,268	-	2,552,268
Accrued interest	896	-	896
Due from other governments	259,964	-	259,964
Inventories	-	5,627	5,627
Capital assets, net of accumulated depreciation	10,658,596	112,263	10,770,859
Total assets	16,153,149	126,169	16,279,318
Liabilities			
Accounts payable	25,737	-	25,737
Salaries and benefits payable	26,540	-	26,540
Accrued interest payable	11,279	-	11,279
Deferred revenue:			
Succeeding year property tax	2,552,268	-	2,552,268
Other	1,463	3,138	4,601
Long-term liabilities:			
Portion due within one year:			
Bonds payable	560,500	-	560,500
Early retirement benefits	79,445	-	79,445
Compensated absences	26,239	-	26,239
Portion due after one year:			
Bonds payable	4,569,500	-	4,569,500
Early retirement benefits	258,540	-	258,540
Total liabilities	8,111,511	3,138	8,114,649
Net Assets			
Invested in capital assets, net of related debt	5,528,596	112,263	5,640,859
Restricted for:			
Management levy	48,908	-	48,908
Physical plant and equipment levy	88,348	-	88,348
Other special revenue purposes	88,807	-	88,807
Debt	76,308		76,308
Unrestricted	2,210,671	10,768	2,221,439
Total net assets	\$ 8,041,638	123,031	8,164,669

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

	Expenses	Charges for Service	Program Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,093,412	206,626	395,511
Special instruction	984,798	12,313	146,523
Other instruction	1,127,946	317,721	17,991
	5,206,156	536,660	560,025
Support services:			
Student services	132,436	-	-
Instructional staff services	337,026	-	-
Administration services	877,511	-	-
Operation and plant maintenance	824,617	21,098	-
Transportation services	391,762	-	21,132
	2,563,352	21,098	21,132
Other expenditures:			
Facilities improvements	78,561	-	-
Long-term debt interest	341,381	-	-
AEA flowthrough	275,773	-	275,773
Depreciation (unallocated)*	237,114	-	-
	932,829	-	275,773
Total governmental activities	8,702,337	557,758	856,930
Business-type activities:			
Non-instructional programs:			
Food service operations	388,130	214,151	145,681
Total	\$ 9,090,467	771,909	1,002,611

General Revenues:

Property tax levied for:
General purposes
Debt service
Local option sales tax
Unrestricted state grants
Unrestricted investment earnings
Other
Transfers
Total general revenues and transfers

Change in net assets

Net assets beginning of year, restated

Net assets end of year

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

Exhibit B

<u>Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
-	(2,491,275)	-	(2,491,275)
-	(825,962)	-	(825,962)
-	(792,234)	-	(792,234)
-	(4,109,471)	-	(4,109,471)
-	(132,436)	-	(132,436)
-	(337,026)	-	(337,026)
-	(877,511)	-	(877,511)
-	(803,519)	-	(803,519)
-	(370,630)	-	(370,630)
-	(2,521,122)	-	(2,521,122)
152,824	74,263	-	74,263
-	(341,381)	-	(341,381)
-	-	-	-
-	(237,114)	-	(237,114)
<u>152,824</u>	<u>(504,232)</u>	-	<u>(504,232)</u>
152,824	(7,134,825)	-	(7,134,825)
-	-	(28,298)	(28,298)
<u>152,824</u>	(7,134,825)	(28,298)	(7,163,123)
	2,364,975	-	2,364,975
	446,936	-	446,936
	476,198	-	476,198
	3,629,281	-	3,629,281
	89,500	333	89,833
	62,987	-	62,987
	(26,000)	26,000	-
	<u>7,043,877</u>	<u>26,333</u>	<u>7,070,210</u>
	(90,948)	(1,965)	(92,913)
	<u>8,132,586</u>	<u>124,996</u>	<u>8,257,582</u>
	<u>8,041,638</u>	<u>123,031</u>	<u>8,164,669</u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
ASSETS					
Assets:					
Cash and pooled investments	\$ 505,054	75,928	1,856,261	217,547	2,654,790
Receivables:					
Property tax:					
Delinquent	2,438	8,493	-	15,704	26,635
Succeeding year	1,859,573	441,400	-	251,295	2,552,268
Accounts	469	-	-	427	896
Due from other governments	<u>59,458</u>	<u>-</u>	<u>200,506</u>	<u>-</u>	<u>259,964</u>
Total assets	\$ <u>2,426,992</u>	<u>525,821</u>	<u>2,056,767</u>	<u>484,973</u>	<u>5,494,553</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 24,168	-	-	1,569	25,737
Salaries and benefits payable	26,540	-	-	-	26,540
Deferred revenue:					
Succeeding year property tax	1,859,573	441,400	-	251,295	2,552,268
Other	<u>1,463</u>	<u>1,084</u>	<u>-</u>	<u>6,046</u>	<u>8,593</u>
Total liabilities	1,911,744	442,484	-	258,910	2,613,138
Fund balances:					
Reserved for:					
Debt service	-	83,337	76,308	-	159,645
Unreserved	515,248	-	1,980,459	226,063	2,721,770
Total fund balances	<u>515,248</u>	<u>83,337</u>	<u>2,056,767</u>	<u>226,063</u>	<u>2,881,415</u>
Total liabilities and fund balances	\$ <u>2,426,992</u>	<u>525,821</u>	<u>2,056,767</u>	<u>484,973</u>	<u>5,494,553</u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2006**

Total fund balances of governmental funds	\$	2,881,415
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.		10,658,596
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		7,130
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.		(11,279)
Long-term liabilities, including bonds payable, compensated absences, and early retirement benefits are not due and payable in the current period, and therefore, are not reported as liabilities of the governmental funds.		<u>(5,494,224)</u>
Net assets of governmental activities	\$	<u>8,041,638</u>

See notes to financial statements
MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,099,636	453,961	476,198	263,341	3,293,136
Other	288,266	125,376	69,610	366,304	849,556
State sources	4,218,909	364	-	214	4,219,487
Federal sources	277,372	1,796	-	1,070	280,238
Total revenues	<u>6,884,183</u>	<u>581,497</u>	<u>545,808</u>	<u>630,929</u>	<u>8,642,417</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,819,433	-	-	100,460	2,919,893
Special instruction	1,063,065	-	-	-	1,063,065
Other instruction	739,524	-	-	359,300	1,098,824
	<u>4,622,022</u>	<u>-</u>	<u>-</u>	<u>459,760</u>	<u>5,081,782</u>
Support services:					
Student services	132,436	-	-	-	132,436
Instructional staff services	337,026	-	-	-	337,026
Administration services	870,944	-	-	-	870,944
Operation and maintenance of plant services	690,967	-	-	131,059	822,026
Transportation services	302,196	-	-	46,897	349,093
	<u>2,333,569</u>	<u>-</u>	<u>-</u>	<u>177,956</u>	<u>2,511,525</u>
Other expenditures:					
Facilities improvements	-	-	847,757	-	847,757
Long-term debt:					
Principal	-	3,470,000	-	-	3,470,000
Interest and fiscal charges	-	339,496	15,021	-	354,517
AEA flowthrough	275,773	-	-	-	275,773
	<u>275,773</u>	<u>3,809,496</u>	<u>862,778</u>	<u>-</u>	<u>4,948,047</u>
Total expenditures	<u>7,231,364</u>	<u>3,809,496</u>	<u>862,778</u>	<u>637,716</u>	<u>12,541,354</u>
Deficiency of revenues under expenditures	(347,181)	(3,227,999)	(316,970)	(6,787)	(3,898,937)
Other financing uses:					
Revenue bonds issued	-	-	1,750,000	-	1,750,000
Operating transfers in	-	15,491	-	-	15,491
Operating transfers out	(26,000)	-	(15,491)	-	(41,491)
Total other financing uses	<u>(26,000)</u>	<u>15,491</u>	<u>1,734,509</u>	<u>-</u>	<u>1,724,000</u>
Net change in fund balances	(373,181)	(3,212,508)	1,417,539	(6,787)	(2,174,937)
Fund balances beginning of year	<u>888,429</u>	<u>3,295,845</u>	<u>639,228</u>	<u>232,850</u>	<u>5,056,352</u>
Fund balances end of year	<u>\$ 515,248</u>	<u>83,337</u>	<u>2,056,767</u>	<u>226,063</u>	<u>2,881,415</u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances – total governmental funds \$ (2,174,937)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. In addition, adjustments were made to capital assets and accumulated depreciation for corrections to a prior period.

Expenditures for capital assets and adjustments	\$ 823,184	
Depreciation expense and adjustments	<u>(439,376)</u>	383,808

Certain delinquent property tax not collected for several months after year end is not considered available revenue in the governmental funds and is deferred in the governmental funds. (5,028)

Proceeds from issuing long term liabilities provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets. Repayment of long term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(1,750,000)	
Repaid	<u>3,470,000</u>	1,720,000

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. 13,136

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.

Early retirement	(26,262)	
Compensated absences	<u>(1,665)</u>	<u>(27,927)</u>

Change in net assets of governmental activities \$ (90,948)

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006**

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 8,279
Inventories	5,627
Capital assets, net of accumulated depreciation	<u>112,263</u>
Total assets	126,169
Liabilities	
Deferred revenue	<u>3,138</u>
Total liabilities	3,138
Net Assets	
Invested in capital assets	112,263
Unrestricted	<u>10,768</u>
Total net assets	\$ <u><u>123,031</u></u>

See notes to financial statements
MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 214,151
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	133,764
Benefits	38,973
Purchased services	5,675
Supplies	194,706
Depreciation	15,012
Total operating expenses	388,130
Operating loss	(173,979)
Non-operating revenue:	
State sources	5,163
Federal sources	140,518
Interest on investments	333
Total non-operating revenue	146,014
Change in net assets before operating transfer	(27,965)
Other financing sources:	
Operating transfers in	26,000
Change in net assets after operating transfer	(1,965)
Net assets beginning of year, restated	124,996
Net assets end of year	\$ 123,031

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 214,522
Cash payments to employees for services	(172,737)
Cash payments to suppliers for goods or services	(178,754)
Net cash used in operating activities	(136,969)
Cash flows from non-capital financing activities:	
State grants received	5,163
Federal grants received	118,367
Transfers in	26,000
Net cash provided by non-capital financing sources	149,530
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(12,607)
Cash flows from investing activities:	
Interest on investments	333
Net increase in cash and cash equivalents	287
Cash and cash equivalents beginning of year	7,992
Cash and cash equivalents end of year	\$ 8,279
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (173,979)
Commodities used	22,151
Depreciation	15,012
Decrease in inventories	1,394
Increase in accounts payable	(1,176)
Increase in deferred revenue	(371)
Net cash used in operating activities	\$ (136,969)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$22,151 of federal commodities.

See notes to financial statements
MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2006

	Private Purpose Trust <u>Scholarship</u>	Agency <u> </u>
Assets		
Cash and pooled investments	\$ <u>46,278</u>	\$ <u>10,282</u>
Total assets	46,278	10,282
Liabilities		
Accounts payable	-	256
Due to other governments	<u>-</u>	<u>10,026</u>
Total liabilities	<u>-</u>	<u>10,282</u>
Net Assets		
Reserved for scholarships	\$ <u><u>46,278</u></u>	\$ <u><u>-</u></u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2006**

	<u>Private Purpose Trust</u> <u>Scholarshi p</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 8,985
Interest	<u>2,785</u>
Total additions	11,770
 Deductions:	
Support services:	
Scholarships awarded	<u>4,750</u>
 Change in net assets	 7,020
 Net assets beginning of year	 <u>39,258</u>
 Net assets end of year	 \$ <u>46,278</u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 1 Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – (continued)

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation - (continued)

The District reports the following major proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 1 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash equivalents not meeting the definition of cash equivalents at June 30, 2006, included a corporate bond with market value of \$19,425.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 1 Summary of Significant Accounting Policies (continued)

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

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

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

Furniture and equipment

500

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 1 Summary of Significant Accounting Policies (continued)

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 1 Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the other expenditures functional areas exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

NOTE 2 Cash and Pooled Investments

The District's deposits in banks at June 30, 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 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, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

Type	Amortized Cost
Diversified Portfolio	\$ <u>1,126,624</u>

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

Interest rate risk – The District'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 District.

Credit risk – The investments in the Iowa Schools Joint investment Trust were both rated Aaa by Moody's investors Service.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 3 Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise Fund	General Fund	\$ 26,000
Debt service Fund	Capital Projects Fund	<u>15,491</u>
		<u>\$ 41,491</u>

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

NOTE 4 Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Restated Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases and Adjustments</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 61,250	-	-	61,250
Construction in progress	-	751,947	-	751,947
	<u>61,250</u>	<u>751,947</u>	<u>-</u>	<u>813,197</u>
Capital assets being depreciated:				
Buildings	9,130,644	63,971	-	9,194,615
Improvements other than buildings	615,649	17,085	-	632,734
Furniture and equipment	2,340,294	128,882	138,701	2,330,475
Total capital assets being depreciated	<u>12,086,587</u>	<u>209,938</u>	<u>138,701</u>	<u>12,157,824</u>
Less accumulated depreciation for:				
Buildings	719,651	185,771	-	905,422
Improvements other than buildings	123,630	31,605	-	155,235
Furniture and equipment	1,029,769	313,979	91,980	1,251,768
Total accumulated depreciation	<u>1,873,050</u>	<u>531,355</u>	<u>91,980</u>	<u>2,312,425</u>
Total capital assets being depreciated, net	<u>10,213,537</u>	<u>(321,417)</u>	<u>(46,721)</u>	<u>9,845,399</u>
Governmental activities capital assets, net	<u>\$ 10,274,787</u>	<u>430,530</u>	<u>(46,721)</u>	<u>10,658,596</u>
	<u>Restated Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 168,026	12,606	-	180,632

Less accumulated depreciation		53,357	15,012	-	68,369
Business-type activities capital assets, net	\$	<u>114,669</u>	<u>(2,406)</u>	<u>-</u>	<u>112,263</u>

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 4 Capital Assets - Continued

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular	\$	147,257
Other		55,072
Support Services:		
Administration		4,189
Operation and maintenance of plant		4,314
Transportation		<u>83,409</u>
Unallocated depreciation		<u>237,114</u>
Total governmental activities depreciation expense	\$	<u>531,355</u>
Business-type activities:		
Food services	\$	<u>15,012</u>

NOTE 5 Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,470,000	-	3,470,000	-	-
Refunding bonds	3,380,000	-	-	3,380,000	350,000
Revenue bonds	-	1,750,000	-	1,750,000	210,500
Early retirement	311,724	26,261	-	337,985	258,540
Compensated absences	<u>24,574</u>	<u>1,665</u>	<u>-</u>	<u>26,239</u>	<u>23,239</u>
Total	\$ <u>7,186,298</u>	<u>1,777,926</u>	<u>3,470,000</u>	<u>5,494,224</u>	<u>842,279</u>

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2003			
	Interest Rates	Principal	Interest	Total
2007	2.30 %	\$ 350,000	\$ 8,050	\$ 358,050
2008	2.70 %	355,000	9,585	364,585

2009	3.00 %	365,000	10,950	375,950
2010	3.30 %	380,000	12,540	392,540
2011 - 2015	3.35 - 3.50 %	<u>1,930,000</u>	<u>65,525</u>	<u>1,995,525</u>
		\$ <u>3,380,000</u>	\$ <u>106,650</u>	\$ <u>3,486,650</u>

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 5 Long-Term Liabilities (continued)

Revenue Bonds Payable

Details of the District's June 30, 2006 local option sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	LOSST Revenue Bonds Bond Issue of Dec 1, 2005			
	Interest Rates	Principal	Interest	Total
2007	4.0775 %	\$ 90,000	\$ 3,772	\$ 93,772
2008	4.0775 %	95,000	3,976	98,976
2009	4.0775 %	100,000	4,077	104,077
2010	4.0775 %	100,000	4,178	104,178
2011	4.0775 %	105,000	4,382	109,382
2012 - 2014	4.0775 %	260,000	8,361	268,361
		<u>\$ 750,000</u>	<u>\$ 28,746</u>	<u>\$ 778,746</u>

Year Ending June 30,	Qualified Zone Academy Bond Bond Issue of Dec 1, 2005	
	Interest Rates	Principal
2007	0.00 %	\$ 122,185
2008	0.00 %	122,185
2009	0.00 %	122,185
2010	0.00 %	122,185
2011	0.00 %	122,185
2012 - 2014	0.00 %	389,075
		<u>\$ 1,000,000</u>

The local option sales and service 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. However, the debt is subject to the constitutional debt limitation of the District.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 5 Long-Term Liabilities (continued)

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

- a. \$75,000 of the proceeds from the issuance of the LOSST revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District is in compliance with all of the provisions during the year ended June 30, 2006. The transfers to the sinking fund are required to start July 1, 2006.

Qualified Zone Academy Bond

During the year ended June 30, 2006, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Beginning December 1, 2006, annual transfers of \$122,185 are made to an escrow agent to pay the indebtedness due December 1, 2014, of \$1,000,000. Bond proceeds are to be used only for the equipping, rehabilitation and repairs of the school designated as the "Qualified Zone Academy." The District is in compliance with the above provisions.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is that the employee may remain a part of the District's group health and major medical insurance coverage and have their individual insurance policy payments in an amount set by the Board paid by the District until they reach the age of sixty-five years. Effective July 1, 2002, the amount to be paid for new retiree's insurance shall not exceed the sum of \$3,400 per year per retiree. Early retirement benefits paid during the year ended June 30, 2006 totaled \$66,149.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 6 Crossover Refunding Debt

On May 18, 2003, the District issued crossover refunding bonds in the amount of \$3,380,000 to pay off \$3,200,000 of outstanding general obligation bonds due. The proceeds of the crossover refunding issues were placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest on the new crossover refunding bonds. The outstanding general obligation bonds were paid off in May 2006 from the escrow accounts. At June 30, 2006, a balance of \$28,555 remains in the escrow account and is reported in the financial statements as an investment at market value.

NOTE 7 Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$231,714, \$224,921, and \$230,352, respectively, equal to the required contributions for each year.

NOTE 8 Risk Management

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

NOTE 9 Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$275,773 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 10 Related Party Transactions

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

Purchased Goods or Services	Amount
Other supplies	\$ 2,398
Rent	112
Services	1,547
	\$ 4,057

NOTE 11 Commitments

The District has contracted for janitorial services through May 31, 2009 for an annual cost of \$160,971, with additional services billed at \$20.00 per hour.

NOTE 12 Restatement

The net assets reflected below have been restated at June 30, 2005 to reflect corrections to fixed assets and accumulated depreciation.

	Net Assets As Originally Reported	Adjustment	Net Assets As Restated
Governmental Funds	\$ 7,654,240	478,346	8,132,586
Proprietary Funds	45,547	79,449	124,996

The effect of the restatement increased the change in net assets for the year ended June 30, 2005 by \$557,795 and increased net assets by that same amount at June 30, 2005.

NOTE 13 Construction Contract Commitments

The District has entered into a construction contract for a HVAC renovation project at the high school. As of June 30, 2006, the following amounts have been paid in connection with this project:

	Contract Amount	Current Year Costs	Balance to be Paid
Construction	\$ <u>2,098,867</u>	\$ 615,416	\$ <u>1,483,451</u>
Engineering	\$ <u>173,570</u>	136,075	\$ <u>40,680</u>

Miscellaneous costs

455

Total

\$ 751,946

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 13 Construction Contract Commitments -Continued

The balance to be paid on the construction contract includes \$32,390 in retainage. Total project costs of \$751,946 are reported as Construction in Progress in Note 4, Capital Assets.

REQUIRED SUPPLEMENTARY INFORMATION

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND
 PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2006**

	<u>Governmental Fund Types Actual</u>	<u>Proprietary Fund Types Actual</u>	<u>Total Actual</u>
Receipts:			
Local sources	\$ 4,181,218	214,484	4,395,702
State sources	4,039,455	5,163	4,044,618
Federal sources	249,790	118,367	368,157
Total receipts	<u>8,470,463</u>	<u>338,014</u>	<u>8,808,477</u>
Disbursements:			
Instruction	5,134,164	-	5,134,164
Support services	2,511,660	-	2,511,660
Non-instructional programs	-	367,526	367,526
Other expenditures	4,955,860	-	4,955,860
Total disbursements	<u>12,601,684</u>	<u>367,526</u>	<u>12,969,210</u>
Deficiency of receipts under disbursements	(4,131,221)	(29,512)	(4,160,733)
Other financing uses, net	<u>1,724,000</u>	<u>26,000</u>	<u>1,750,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,407,221)	(3,512)	(2,410,733)
Balances beginning of year	<u>5,062,011</u>	<u>129,681</u>	<u>5,191,692</u>
Balances end of year	<u>\$ 2,654,790</u>	<u>126,169</u>	<u>2,780,959</u>

See Accompanying Independent Auditors' Report

<u>Budgeted Amounts</u>		<u>Final to Actual Variance Positive (Negative)</u>
<u>Original</u>	<u>Final</u>	
3,811,125	3,811,125	584,577
4,415,220	4,415,220	(370,602)
398,956	398,956	(30,799)
<u>8,625,301</u>	<u>8,625,301</u>	<u>183,176</u>
6,337,789	6,267,789	1,133,625
2,550,000	2,570,000	58,340
350,000	400,000	32,474
806,826	2,000,000	(2,955,860)
<u>10,044,615</u>	<u>11,237,789</u>	<u>(1,731,421)</u>
(1,419,314)	(2,612,488)	(1,548,245)
<u>(15,000)</u>	<u>(15,000)</u>	<u>1,765,000</u>
(1,434,314)	(2,627,488)	216,755
<u>5,167,246</u>	<u>5,167,246</u>	<u>24,446</u>
<u>3,732,932</u>	<u>2,539,758</u>	<u>241,201</u>

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2006**

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 8,470,463	171,954	8,642,417
Expenditures	12,601,684	(60,330)	12,541,354
Net	(4,131,221)	232,284	(3,898,937)
Other financing uses	1,724,000	-	1,724,000
Beginning fund balances	5,062,011	(5,659)	5,056,352
Ending fund balances	\$ 2,654,790	226,625	2,881,415

	Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 338,014	22,151	360,165
Expenditures	367,526	20,604	388,130
Net	(29,512)	1,547	(27,965)
Other financing sources	26,000	-	26,000
Beginning fund balances	129,681	(4,685)	124,996
Ending fund balances	\$ 126,169	(3,138)	123,031

See Accompanying Independent Auditors' Report

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006**

This 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 Board of Education annually adopts a budget following required public notice and hearing for all funds except Private purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,193,174.

During the year ended June 30, 2006, disbursements in the other expenditures function exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR FUNDS
YEAR ENDED JUNE 30, 2006**

	Special Revenue			Total
	Management Levy	Student Activity	Property Plant and Equipment Levy	
Assets				
Assets:				
Cash and pooled investments	\$ 46,087	89,949	81,511	217,547
Receivables:				
Property Tax:				
Delinquent	2,821	-	12,883	15,704
Succeeding year	192,688	-	58,607	251,295
Accounts	-	427	-	427
Total assets	<u>\$ 241,596</u>	<u>90,376</u>	<u>153,001</u>	<u>484,973</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	1,569	-	1,569
Deferred revenue:				
Succeeding year property tax	192,688	-	58,607	251,295
Other	-	-	6,046	6,046
Total liabilities	<u>192,688</u>	<u>1,569</u>	<u>64,653</u>	<u>258,910</u>
Fund equity:				
Unreserved fund balances	<u>48,908</u>	<u>88,807</u>	<u>88,348</u>	<u>226,063</u>
Total liabilities and fund equity	<u>\$ 241,596</u>	<u>90,376</u>	<u>153,001</u>	<u>484,973</u>

See Accompanying Independent Auditors' Report

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR FUNDS
YEAR ENDED JUNE 30, 2006**

	Special Revenue			Total
	Management Levy	Student Activity	Property Plant and Equipment Levy	
Revenues:				
Local sources:				
Local Tax	\$ 202,995	-	60,346	263,341
Other	43,658	319,718	2,928	366,304
State sources	167	-	47	214
Federal sources	836	-	234	1,070
Total revenues	<u>247,656</u>	<u>319,718</u>	<u>63,555</u>	<u>630,929</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	100,460	-	-	100,460
Other instruction	12,200	347,100	-	359,300
	<u>112,660</u>	<u>347,100</u>	<u>-</u>	<u>459,760</u>
Support services:				
Operation and maintenance of plant services	85,959	-	6,900	92,859
Transportation services	14,897	-	32,000	46,897
	<u>100,856</u>	<u>-</u>	<u>38,900</u>	<u>139,756</u>
Other expenditures:				
Building and site improvements:	-	-	38,200	38,200
Total expenditures	<u>213,516</u>	<u>347,100</u>	<u>77,100</u>	<u>637,716</u>
Excess (deficiency) of revenues over (under) expenditures	34,140	(27,382)	(13,545)	(6,787)
Fund balances beginning of year, as restated	<u>14,768</u>	<u>116,189</u>	<u>101,893</u>	<u>232,850</u>
Fund balances end of year	<u>\$ 48,908</u>	<u>88,807</u>	<u>88,348</u>	<u>226,063</u>

See Accompanying Independent Auditors' Report

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGE IN SPECIAL REVENUE - STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006**

	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Elementary Outdoor	\$ 1,372	1,000	-	2,372
HS Thespians	1,351	2,713	1,728	2,336
HS Vocal music	91	366	65	392
MS Vocal music	330	-	-	330
Elementary vocal	512	62	148	426
HS Swing choir	760	-	120	640
MS Personal Development	412	916	733	595
HS Band	139	676	100	715
MS Band	48	8	40	16
Athletics	2,877	40,811	41,615	2,073
MS Athletics	3,022	17,671	17,234	3,459
Boys cross country	377	335	255	457
Girls cross country	447	310	247	510
Coed golf team	831	398	821	408
HS boys basketball	1,550	4,673	3,074	3,149
HS football	3,243	12,525	11,304	4,464
HS baseball	668	5,711	6,465	(86)
A&B club	1,410	5,438	4,295	2,553
HS boys track	26	1,202	1,228	-
MS G/B track	215	1,911	2,095	31
MS jump for heart	2	978	978	2
HS wrestling	425	9,674	9,697	402
HS girls basketball	683	3,859	2,740	1,802
MS girls basketball	1	-	-	1
HS volleyball	280	3,970	3,595	655
MS volleyball	1	228	229	-
HS softball	-	6,830	5,279	1,551
MS softball	11	-	-	11
HS girls track	1	1,678	1,679	-
Kuhlmann tech acct	1,311	140	80	1,371
Business Ed Club	228	815	181	862
Drill team	686	1,590	1,483	793
Art Club	159	42	-	201
Future homemakers	1,759	7,800	8,710	849
Health Occ	-	18,064	12,834	5,230
Elementary Library Maint	285	-	-	285
Key club	470	2,776	2,610	636
MVHS Pep Club	707	2,591	2,115	1,183
Science club	360	149	121	388
MS leadership	1,357	760	832	1,285
Spanish	1,478	1	88	1,391
Class of 2007	137	21,325	18,793	2,669
Class of 2009	295	284	306	273
Class of 2006	2,567	1,217	2,723	1,061
Class of 2008	-	304	62	242
Subtotal	<u>32,884</u>	<u>181,801</u>	<u>166,702</u>	<u>47,983</u>

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF CHANGE IN SPECIAL REVENUE - STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005**

	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Subtotal carried forward	\$ 32,884	181,801	166,702	47,983
Technology projector	120	-	-	120
Alumni	124	-	13	111
SADD Chapter	730	233	100	863
Math club	333	2,651	2,625	359
Dream Program	232	-	55	177
MS student council	2,837	6,996	7,845	1,988
MS cheerleaders	47	-	-	47
HS cheerleaders	417	1,032	870	579
National Honor Society	7	1,561	1,609	(41)
Social Studies Inv	35,187	4,286	35,370	4,103
Social Studies Student	12,287	48,022	60,309	-
Special Olympics	1,887	7,652	9,089	450
HS Student Council	479	1,033	1,080	432
Boys basketball club	31	6,151	5,693	489
Football club	1,048	16,915	15,519	2,444
Baseball club	3,574	7,321	7,923	2,972
Boys track club	106	696	587	215
HS Media	1,199	1,328	1,273	1,254
Girls Basketball Club	25	3,468	1,567	1,926
Volleyball club	2,310	6,310	5,042	3,578
Student tech assoc	504	350	15	839
Softball club	2,771	5,099	5,906	1,964
Girls cross country	671	216	345	542
Jump rope for heart	134	(134)	-	-
Athletic safety equip	1,068	10	233	845
MS resale supplies	614	-	-	614
5 th grade club	258	1,463	1,217	504
HS resale supplies	1,431	227	611	1,047
Activity fund inv	4,840	1,654	750	5,744
HS activity fund	262	1,905	1,922	245
MS activity fund	979	3,067	2,813	1,233
Elementary activity	1,338	4,524	4,379	1,483
Band trip students	130	60	-	190
Annual/yearbook	3,122	3,445	4,948	1,619
Post prom	94	-	-	94
MV Home Page	2,109	376	690	1,795
Total	\$ 116,189	319,718	347,100	88,807

See Accompanying Independent Auditors' Report

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2006**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 9,030	53,420	52,424	10,026
Total assets	<u>9,030</u>	<u>53,420</u>	<u>52,424</u>	<u>10,026</u>
Liabilities				
Accounts payable	-	256	-	256
Due to other governments	9,030	53,164	52,424	9,770
Total liabilities	<u>\$ 9,030</u>	<u>53,420</u>	<u>52,424</u>	<u>10,026</u>

See Accompanying Independent Auditors' Report

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

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local Tax	\$ 3,293,136	2,567,624	2,749,983	2,478,377
Tuition	170,217	173,745	169,566	138,972
Other	679,339	1,261,196	591,121	642,113
State sources	4,219,487	4,125,824	4,118,335	4,157,802
Federal sources	280,238	285,265	257,648	204,344
Total	<u>8,642,417</u>	<u>8,413,654</u>	<u>7,886,653</u>	<u>7,621,608</u>
Expenditures:				
Instruction:				
Regular instruction	2,919,893	3,114,027	3,058,496	2,759,397
Special instruction	1,063,065	1,197,697	1,227,444	1,157,520
Other instruction	1,098,824	785,507	759,754	661,973
Support services:				
Student services	132,436	134,866	161,213	194,270
Instructional staff services	337,026	168,072	187,007	169,342
Administration services	870,944	814,554	794,842	748,592
Operation and maintenance of plant services	822,026	742,073	773,151	679,449
Transportation services	349,093	332,589	264,756	251,999
Other expenditures:				
Facilities acquisition and improvements	847,757	101,128	-	-
Long-term debt:				
Principal	3,470,000	260,000	245,000	230,000
Interest and fiscal charges	354,517	309,698	323,736	230,080
AEA flowthrough	275,773	274,053	278,766	291,704
Total	<u>\$ 12,541,354</u>	<u>8,234,264</u>	<u>8,074,165</u>	<u>7,374,326</u>

See Accompanying Independent Auditors' Report

August 21, 2006

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit Performed in Accordance
with Government Auditing Standards**

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

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund balance information of the Missouri Valley Community School District as of and for the year ended June 30, 2006, and have issued our report thereon dated August 21, 2006. 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 Missouri Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance 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 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.

Continued. . .

August 21, 2006
Missouri Valley Community School District
Internal Control and Compliance Report

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Missouri Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 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 the Missouri Valley Community School District, and other parties to whom the Missouri 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 Missouri Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No comments or recommendations.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Certified Budget – Disbursements for the year ended June 30, 2006 exceeded the amended certified budget amounts in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Barbara Liljedahl, Teacher Husband owns Liljedahl Ag	Supplies	\$ 392
Chris Guinan, Board Member Husband manager EcoWater Systems	Supplies	2,006
Carol Rodewald, Food Services Dir. Owner Carol’s Catering	Catering services	1,457
Kim Kolhof, Associate Owner Tamarack Bowling	Rental of facilities	112
Ed Spencer, Bus Driver Ed’s Towing Service	Towing Services	90
		<u>\$ 4,057</u>

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

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

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

- II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-06 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- II-I-06 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely.
- II-J-06 Revenue Bonds – The District is in compliance with the resolution.

NEWS RELEASE

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT MISSOURI VALLEY, IOWA 51555

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

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

The District's revenues totaled \$8,997,554 for the year ended June 30, 2006, a 2.7 percent increase from the prior year. Revenues included \$3,288,109 in local tax, charges for service of \$771,909, operating grants, contributions and restricted interest of \$1,002,611, capital grants, contributions and restricted interest of \$152,824, unrestricted interest of \$89,833, and other general revenues of \$3,692,268.

Expenses for District operation totaled \$9,090,467, a 5.7 percent increase from the prior year. Expenses included \$3,093,412 for regular instruction, \$1,127,946 for other instruction, and \$984,798 for special instruction.

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

January 26, 2007

Missouri Valley Community School District
109 E Michigan Street
Missouri Valley, IA 51555

Dear Robyn;

Enclosed you will find a "draft" copy of Missouri Valley Community School District's audit report for the year ended June 30, 2006. Please review it and let me know if you have any changes. Also, please call if you have questions with preparing the MD&A. We will fix the page numbers after we receive the MD&A. The prior year MD&A is included.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass

BM/sh
Enc.

March 8, 2007

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 Missouri Valley Community Schools 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.

March 8, 2007

Robyn
Missouri Valley Community Schools
109 East Michigan
Missouri Valley, IA 51555

Dear Robyn:

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 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

Missouri Valley Community School District

Hours Worked: 145.75