

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT**

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

**JUNE 30, 2007**

## TABLE OF CONTENTS

		<u>Page</u>
Officials		3
Independent Auditors' Report		5-6
Management's Discussion and Analysis		7-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses and Changes in Net Assets	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	26
Statement of Changes in Fiduciary Net Assets	K	27
Notes to Financial Statements		28-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		42-43
Notes to Required Supplementary Information – Budgetary Reporting		44
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	48-49
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	4	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	51
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		52-54
Schedule of Findings		55-56



**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT**

November 30, 2007

## 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, 2007, 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, 2007, 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 November 30, 2007, 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 . . .

November 30, 2007  
Missouri Valley Community School District  
Independent Auditors' Report

The management's discussion and analysis and budgetary comparison information on pages 7 through 14 and 42 through 44 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, 2006, (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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements.

### 2007 FINANCIAL HIGHLIGHTS

- The General Fund unrestricted fund balance was \$363,437 in fiscal year 2007 as compared to \$520,679 in fiscal year 2006. The District's General Fund balance decreased by \$157,242.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state and federal grant revenue in fiscal 2007. 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 2007. 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.

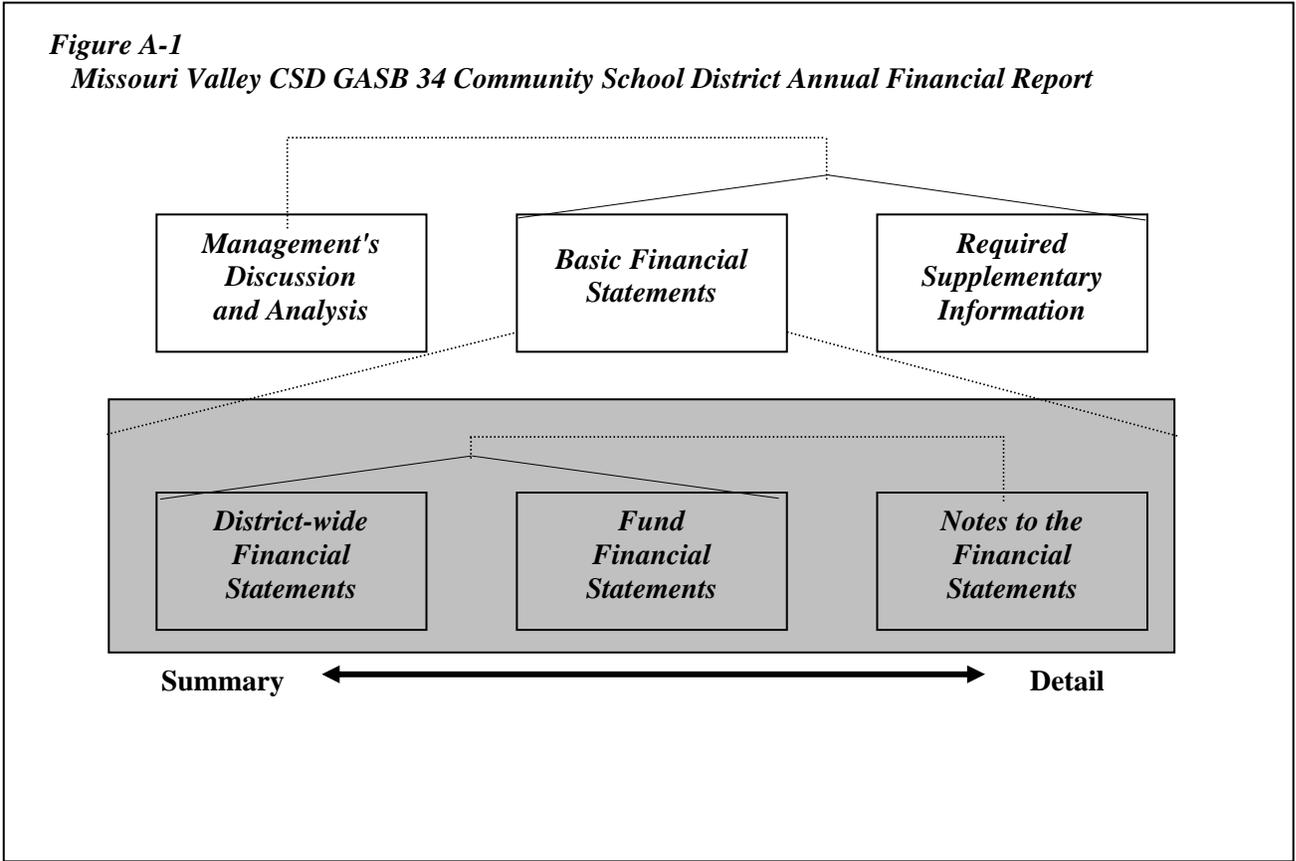


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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, 2007.

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

	Governmental Activities		Business-type Activities		Total		Total Change June 30, 2006-2007
	2007	2006	2007	2006	2007	2006	
Current and other assets	\$ 5,559,917	5,494,553	\$ 30,910	13,906	\$ 5,590,827	5,508,459	1.5 %
Capital assets	11,900,972	10,658,596	102,556	112,263	12,003,528	10,770,859	.1 %
Total assets	17,460,889	16,153,149	133,466	126,169	17,594,355	16,279,318	8.1 %
Long-term liabilities	4,392,226	5,494,224	0	0	4,392,226	5,494,224	20.0 %
Other liabilities	4,636,643	2,617,287	3,315	3,138	4,639,958	2,620,425	77.1 %
Total liabilities	9,028,869	8,111,511	3,315	3,138	9,032,184	8,114,649	11.3 %
Invested in capital assets, Net of related debt	6,770,072	5,528,596	102,556	112,263	6,872,628	5,640,859	21.8 %
Restricted	365,785	302,371	0	0	365,785	302,371	21.0 %
Unrestricted	1,296,163	2,210,671	27,595	10,768	1,323,758	2,221,439	(40.4) %
Total net assets	8,432,020	8,041,638	130,151	123,031	8,562,171	8,164,669	4.9 %

The District's combined net assets are \$8,562,171, with the largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt equal to \$6,872,628. 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 – decreased approximately \$897,681. This decrease in unrestricted net assets was a result of expenditures for major physical plant projects.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 and 2006.

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

Governmental		Business-type		Total	
2007	2006	2007	2006	2007	2006

<b>Revenues:</b>						
Charges for services	\$ 628,111	557,758	\$ 215,178	214,151	\$ 843,289	771,909
Operating grants, contributions and restricted interest	891,541	856,930	172,202	145,681	1,063,743	1,002,611
Capital grants, contributions and restricted interest	6,205	152,824	0	0	6,205	152,824
Property tax	3,077,080	2,811,911	0	0	3,077,080	2,811,911
Local option sales tax	551,409	476,198	0	0	551,409	476,198
Unrestricted state grants	3,685,965	3,629,281	0	0	3,685,965	3,629,281
Unrestricted investment earnings	69,553	89,500	439	333	69,992	89,833
Other	32,909	62,987	0	0	32,909	62,987
Transfers	(9,500)	(26,000)	9,500	26,000	0	0
Total revenues	<u>8,933,273</u>	<u>8,611,389</u>	<u>397,319</u>	<u>386,165</u>	<u>9,330,592</u>	<u>8,997,554</u>
<b>Program expenses:</b>						
Instruction	5,119,238	5,206,156	0	0	5,119,238	5,206,156
Support services	2,577,732	2,563,352	0	0	2,577,732	2,563,352
Other expenses	851,352	932,829	0	0	851,352	932,829
Non-instructional	0	0	390,199	388,130	390,199	388,130
	<u>8,548,322</u>	<u>8,702,337</u>	<u>390,199</u>	<u>388,130</u>	<u>8,938,521</u>	<u>9,090,467</u>
Change in net assets	\$ <u>384,951</u>	<u>(90,948)</u>	\$ <u>7,120</u>	<u>(1,965)</u>	\$ <u>392,071</u>	<u>(92,913)</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 90% 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**

<b>Revenues:</b>	
Local Sources	\$ 2,634,372
State Sources	4,337,052
Federal Sources	<u>205,774</u>
Total Revenue	<u>7,177,198</u>
<b>Expenditures</b>	
Instruction	4,721,093
Support Services	2,313,008
Other-AEA flowthrough	290,839
Transfer	<u>9,500</u>
Total	<u>7,334,440</u>
Deficit	(157,242)
Fund balance beginning of year	<u>520,679</u>
Fund balance end of year	<u>\$ 363,437</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.

<b>Figure A-6</b>	
<b>Statement of Net Assets – School Nutrition</b>	
Assets	\$ 133,466
Liabilities	<u>3,315</u>
Net Assets	<u>\$ 130,151</u>

### INDIVIDUAL FUND ANALYSIS Governmental Fund Highlights

- The District's declining General Fund financial position is improving. The primary reasons for a decline in the general fund are due to 1) declining enrollment impacting revenue, and 2) negotiated settlements that exceed the new monies generated by enrollment. The unrestricted balance ended at \$363,437.
- The Debt Service Fund ended with a positive balance of \$105,034.
- The Management Fund had a balance of \$95,384 at the end of the year on June 30, 2007.
- The Property, Plant and Equipment Fund ended with a positive balance of \$38,376 as of June 30, 2007.
- The Student Activity Fund ended with a positive balance of \$126,991 as of June 30, 2007.

### **Proprietary Fund Highlights**

The School Nutrition Fund operating expenses of \$390,199 exceeded the revenue of \$387,819 by \$2,380. A transfer of \$9,500 was made from the General Fund to the Nutrition Fund during the year. The Fund had an increase in net assets from \$123,031 at June 30, 2006 to \$130,151 at June 30, 2007.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets for Governmental Activities**

At June 30, 2007, the District had invested \$12,002,628 in a broad range of capital assets for governmental and business type activities.

### **Long-Term Debt**

At June 30, 2007, the District had \$5,069,333 in general obligation, revenue and other long-term debt outstanding representing a 7.7% 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, however, the decline will level out for two years . If settlements continue to exceed new monies, reductions in staff will be needed to reduce expenditures.
- The District succeeded in passing a \$.67 PPEL Levy. This new revenue source will provide an additional \$120,000 for use on capital projects.

## **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, 2007**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	\$ 1,019,387	-	1,019,387
Other	1,205,128	22,218	1,227,346
Receivables:			
Property tax:			
Delinquent	176,711	-	176,711
Succeeding year	2,793,697	-	2,793,697
Accounts	47,984	-	47,984
Accrued interest:			
ISCAP	305	-	305
Due from other governments	317,605	-	317,605
Inventories	-	8,692	8,692
Capital assets, net of accumulated depreciation	11,900,072	102,556	12,002,628
Total assets	17,460,889	133,466	17,594,355
<b>Liabilities</b>			
Accounts payable	82,552	-	82,552
Salaries and benefits payable	43,780	-	43,780
Accrued interest payable	9,210	-	9,210
Deferred revenue:			
Succeeding year property tax	2,793,697	-	2,793,697
Other	1,461	3,315	4,776
ISCAP warrants payable	1,021,000	-	1,021,000
ISCAP accrued interest payable	7,836	-	7,836
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	355,000	-	355,000
Revenue bonds payable	217,185	-	217,185
Early retirement benefits	84,962	-	84,962
Compensated absences	19,960	-	19,960
Portion due after one year:			
General obligation bonds payable	2,675,000	-	2,675,000
Revenue bonds payable	1,442,815	-	1,442,815
Early retirement benefits	274,411	-	274,411
Total liabilities	9,028,869	3,315	9,032,184
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,770,072	102,556	6,872,628
Restricted for:			
Management levy	95,384	-	95,384
Physical plant and equipment levy	38,376	-	38,376
Other special revenue purposes	126,991	-	126,991
Debt	105,034	-	105,034
Unrestricted	1,296,163	27,595	1,323,758
Total net assets	\$ 8,432,020	130,151	8,562,171

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007**

	Expenses	Charges for Service	<b>Program</b> Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,968,177	259,092	407,483
Special instruction	1,085,851	14,931	172,425
Other instruction	1,065,210	331,430	9,842
	5,119,238	605,453	589,750
Support services:			
Student services	182,325	-	-
Instructional staff services	271,163	-	-
Administration services	899,438	-	-
Operation and plant maintenance	818,597	22,658	-
Transportation services	406,209	-	10,952
	2,577,732	22,658	10,952
Other expenditures:			
Facilities improvements	146,367	-	-
Long-term debt interest	134,328	-	-
AEA flowthrough	290,839	-	290,839
Depreciation (unallocated)*	279,818	-	-
	851,352	-	290,839
Total governmental activities	8,548,322	628,111	891,541
Business-type activities:			
Non-instructional programs:			
Food service operations	390,199	215,178	172,202
Total	\$ 8,938,521	843,289	1,063,743

**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
-	(2,301,602)	-	(2,301,602)
-	(898,495)	-	(898,495)
-	(723,938)	-	(723,938)
-	(3,924,035)	-	(3,924,035)
-	(182,325)	-	(182,325)
-	(271,163)	-	(271,163)
-	(899,438)	-	(899,438)
-	(795,939)	-	(795,939)
-	(395,257)	-	(395,257)
-	(2,544,122)	-	(2,544,122)
6,205	(140,162)	-	(140,162)
-	(134,328)	-	(134,328)
-	-	-	-
-	(279,818)	-	(279,818)
<u>6,205</u>	<u>(554,308)</u>	-	<u>(554,308)</u>
6,205	(7,022,465)	-	(7,022,465)
-	-	(2,819)	(2,819)
<u>6,205</u>	<u>(7,022,465)</u>	<u>(2,819)</u>	<u>(7,025,284)</u>
\$	2,569,076	-	2,569,076
	508,004	-	508,004
	551,409	-	551,409
	3,685,965	-	3,685,965
	69,553	439	69,992
	32,909	-	32,909
	(9,500)	9,500	-
	<u>7,407,416</u>	<u>9,939</u>	<u>7,417,355</u>
	384,951	7,120	392,071
	<u>8,047,069</u>	<u>123,031</u>	<u>8,170,100</u>
\$	<u>8,432,020</u>	<u>130,151</u>	<u>8,562,171</u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
GOVERNMENTAL FUND BALANCE SHEET  
YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Assets:					
Cash and pooled investments:					
ISCAP	\$ 1,019,387	-	-	-	1,019,387
Other	307,833	74,000	573,240	250,055	1,205,128
Receivables:					
Property tax:					
Delinquent	83,159	56,478	-	37,074	176,711
Succeeding year	1,938,599	444,134	-	410,964	2,793,697
Accounts	47,717	-	-	267	47,984
Accrued interest:					
ISCAP	305	-	-	-	305
Due from other governments	64,212	-	253,391	-	317,605
 Total assets	 \$ <u>3,461,214</u>	 <u>574,612</u>	 <u>826,631</u>	 <u>698,360</u>	 <u>5,560,817</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 55,696	-	17,124	9,732	82,552
Salaries and benefits payable	43,780	-	-	-	43,780
ISCAP warrants payable	1,021,000	-	-	-	1,021,000
ISCAP accrued interest payable	7,836	-	-	-	7,836
Deferred revenue:					
Succeeding year property tax	1,938,599	444,134	-	410,964	2,793,697
Other	30,866	25,444	-	16,913	73,223
Total liabilities	<u>3,097,777</u>	<u>469,578</u>	<u>17,124</u>	<u>437,609</u>	<u>4,022,088</u>
 Fund balances:					
Reserved for:					
Debt service	-	105,034	-	-	105,034
Unreserved	363,437	-	809,507	260,751	1,433,695
Total fund balances	<u>363,437</u>	<u>105,034</u>	<u>809,507</u>	<u>260,751</u>	<u>1,538,729</u>
 Total liabilities and fund balances	 \$ <u>3,461,214</u>	 <u>574,612</u>	 <u>826,631</u>	 <u>698,360</u>	 <u>5,560,817</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, 2007**

<b>Total fund balances of governmental funds</b>		\$ 1,538,729
<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.		11,900,072
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		71,762
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.		(9,210)
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>(5,069,333)</u>
<b>Net assets of governmental activities</b>		<b>\$ <u>8,432,020</u></b>

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, 2007**

	General	Debt Service	Capital Projects	Nonmajor Funds	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 2,254,350	482,560	551,409	275,538	3,563,857
Other	380,022	6,495	31,129	396,583	814,229
State sources	4,337,052	347	-	204	4,337,603
Federal sources	205,774	3,201	-	1,899	210,874
Total revenues	<u>7,177,198</u>	<u>492,603</u>	<u>582,538</u>	<u>674,224</u>	<u>8,926,563</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	2,879,867	-	53,614	132,573	3,066,054
Special instruction	1,085,851	-	-	-	1,085,851
Other instruction	755,375	-	-	293,246	1,048,621
	<u>4,721,093</u>	<u>-</u>	<u>53,614</u>	<u>425,819</u>	<u>5,200,526</u>
<b>Support services:</b>					
Student services	182,325	-	-	-	182,325
Instructional staff services	271,163	-	-	-	271,163
Administration services	898,526	-	8,127	-	906,653
Operation and maintenance of plant services	665,509	-	-	125,748	791,257
Transportation services	295,485	-	19,525	13,567	328,577
	<u>2,313,008</u>	<u>-</u>	<u>27,652</u>	<u>139,315</u>	<u>2,479,975</u>
<b>Other expenditures:</b>					
Facilities improvements	-	-	1,643,041	74,402	1,717,443
<b>Long-term debt:</b>					
Principal	-	440,000	-	-	440,000
Interest and fiscal charges	-	136,397	-	-	136,397
AEA flowthrough	290,839	-	-	-	290,839
	<u>290,839</u>	<u>576,397</u>	<u>1,643,041</u>	<u>74,402</u>	<u>2,584,679</u>
Total expenditures	<u>7,324,940</u>	<u>576,397</u>	<u>1,724,307</u>	<u>639,536</u>	<u>10,265,180</u>
Excess (deficiency) of revenues over (under) expenditures	(147,742)	(83,794)	(1,141,769)	34,688	(1,338,617)
<b>Other financing uses:</b>					
Operating transfers in	-	105,491	-	-	105,491
Operating transfers out	(9,500)	-	(105,491)	-	(114,991)
Total other financing uses	<u>(9,500)</u>	<u>105,491</u>	<u>(105,491)</u>	<u>-</u>	<u>(9,500)</u>
Net change in fund balances	(157,242)	21,697	(1,247,260)	34,688	(1,348,117)
Fund balances beginning of year, as restated	<u>520,679</u>	<u>83,337</u>	<u>2,056,767</u>	<u>226,063</u>	<u>2,886,846</u>
Fund balances end of year	<u>\$ 363,437</u>	<u>105,034</u>	<u>809,507</u>	<u>260,751</u>	<u>1,538,729</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, 2007**

**Net change in fund balances – total governmental funds** \$ (1,348,117)

*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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,798,344	
Depreciation expense	(508,446)	
Loss on disposal of assets	<u>(48,422)</u>	
		1,241,476

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. 64,632

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. 440,000

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. 2,069

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	(21,388)	
Compensated absences	<u>6,279</u>	
		<u>(15,109)</u>

**Change in net assets of governmental activities** \$ 384,951

See notes to financial statements

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS - PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 22,218
Inventories	8,692
Capital assets, net of accumulated depreciation	<u>102,556</u>
Total assets	133,466
<b>Liabilities</b>	
Deferred revenue	<u>3,315</u>
Total liabilities	3,315
<b>Net Assets</b>	
Invested in capital assets	102,556
Unrestricted	<u>27,595</u>
Total net assets	\$ <u><u>130,151</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, 2007**

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 215,178
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	124,919
Benefits	36,356
Purchased services	6,977
Supplies	210,248
Depreciation	11,699
Total operating expenses	390,199
Operating loss	(175,021)
Non-operating revenue:	
State sources	4,634
Federal sources	167,568
Interest on investments	439
Total non-operating revenue	172,641
Change in net assets before operating transfer	(2,380)
Other financing sources:	
Operating transfers in	9,500
Change in net assets after operating transfer	7,120
Net assets beginning of year	123,031
Net assets end of year	\$ 130,151

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007**

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 215,001
Cash payments to employees for services	(161,275)
Cash payments to suppliers for goods or services	(198,110)
Net cash used in operating activities	<u>(144,384)</u>
Cash flows from non-capital financing activities:	
State grants received	4,634
Federal grants received	146,746
Transfers in	9,500
Net cash provided by non-capital financing sources	<u>160,880</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,996)
Cash flows from investing activities:	
Interest on investments	<u>439</u>
Net increase in cash and cash equivalents	13,939
Cash and cash equivalents beginning of year	<u>8,279</u>
Cash and cash equivalents end of year	<u>\$ 22,218</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (175,021)
Commodities used	20,822
Depreciation	11,699
Decrease in inventories	1,004
Increase in accounts payable	(3,065)
Increase in deferred revenue	177
Net cash used in operating activities	<u>\$ (144,384)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received \$20,822 of federal commodities.

See notes to financial statements  
**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Private Purpose Trust <u>Scholarshi p</u>	Agency <u>                    </u>
<b>Assets</b>		
Cash and pooled investments	\$ 45,098	\$ 9,961
Total assets	<u>45,098</u>	<u>9,961</u>
<b>Liabilities</b>		
Accounts payable	-	-
Due to other governments	<u>-</u>	<u>9,961</u>
Total liabilities	<u>-</u>	<u>9,961</u>
<b>Net Assets</b>		
Reserved for scholarships	\$ <u>45,098</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, 2007**

	Private Purpose Trust <u>Scholarshi p</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 6,965
Interest	<u>2,105</u>
Total additions	9,070
Deductions:	
Support services:	
Scholarships awarded	<u>10,250</u>
Change in net assets	(1,180)
Net assets beginning of year	<u>46,278</u>
Net assets end of year	\$ <u>45,098</u>

See notes to financial statements

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007**

**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, 2007**

**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, 2007**

**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, 2007**

**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, 2007, included a corporate bond with market value of \$19,395.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007**

**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 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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, 2007**

**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, 2007. 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, 2007**

**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, 2007, disbursements did not exceed 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, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

<u>Type</u>	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>619,662</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, 2007**

**NOTE 3 Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise Fund	General Fund	\$ 9,500
Debt service Fund	Capital Projects Fund	<u>105,491</u>
		<u>\$ 114,991</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 Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08A	06/27/07	06/27/08	\$ <u>1,019,387</u>	<u>305</u>	<u>1,021,000</u>	<u>260</u>

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.50 %	5.455 %

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007**

**NOTE 5 Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases and Adjustments	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 61,250	-	-	61,250
Construction in progress	751,947	-	751,947	-
	<u>813,197</u>	<u>-</u>	<u>751,947</u>	<u>61,250</u>
Capital assets being depreciated:				
Buildings	9,194,615	2,310,673	-	11,505,288
Improvements other than buildings	632,734	16,373	34,745	614,362
Furniture and equipment	2,330,475	223,245	183,049	2,370,671
Total capital assets being depreciated	<u>12,157,824</u>	<u>2,550,291</u>	<u>217,794</u>	<u>14,490,321</u>
Less accumulated depreciation for:				
Buildings	905,422	232,457	-	1,137,879
Improvements other than buildings	155,235	30,687	8,686	177,236
Furniture and equipment	1,251,768	245,302	160,686	1,336,384
Total accumulated depreciation	<u>2,312,425</u>	<u>508,446</u>	<u>169,372</u>	<u>2,651,499</u>
Total capital assets being depreciated, net	<u>9,845,399</u>	<u>2,041,845</u>	<u>(48,422)</u>	<u>11,838,822</u>
Governmental activities capital assets, net	<u>\$ 10,658,596</u>	<u>2,041,845</u>	<u>(800,369)</u>	<u>11,900,072</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business-type activities:</b>				
Furniture and equipment	\$ 180,633	2,996	3,170	180,459
Less accumulated depreciation	68,369	11,699	2,165	77,903
Business-type activities capital assets, net	<u>\$ 112,264</u>	<u>(8,703)</u>	<u>(1,005)</u>	<u>102,556</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular	\$ 100,369	
Other	20,200	
Support Services:		
Operation and maintenance of plant	24,650	
Transportation	83,409	
	<u>228,628</u>	
Unallocated depreciation	<u>279,818</u>	
Total governmental activities depreciation expense	<u>\$ 508,446</u>	
Business-type activities:		
Food services	<u>\$ 11,699</u>	

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007**

**NOTE 6 Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Refunding bonds	\$ 3,380,000	-	350,000	3,030,000	355,000
Revenue bonds	750,000	-	90,000	660,000	217,185
Quality zone academy bonds	1,000,000	-	-	1,000,000	-
Early retirement	337,985	21,388	-	359,373	84,962
Compensated absences	26,239	-	6,279	19,960	19,960
<b>Total</b>	<b>\$ 5,494,224</b>	<b>21,388</b>	<b>446,279</b>	<b>5,069,333</b>	<b>104,922</b>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2003			
	Interest Rates	Principal	Interest	Total
2008	2.70 %	\$ 355,000	\$ 98,600	\$ 453,600
2009	3.00 %	365,000	89,015	454,015
2010	3.30 %	380,000	78,065	458,065
2011	3.35 %	390,000	65,525	455,525
2012	3.35 %	400,000	52,460	452,460
2013 - 2015	3.35 - 3.50 %	1,140,000	74,367	1,214,367
		<b>\$ 3,030,000</b>	<b>\$ 458,032</b>	<b>\$ 3,488,032</b>

LOSST Revenue Bonds Payable

Details of the District's June 30, 2007 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
2008	4.0775 %	\$ 95,000	\$ 24,974	\$ 119,974
2009	4.0775 %	100,000	20,999	120,999
2010	4.0775 %	100,000	16,921	116,921
2011	4.0775 %	105,000	12,742	117,742
2012	4.0775 %	110,000	8,359	118,359
2013 - 2014	4.0775 %	150,000	5,301	155,301
		<b>\$ 660,000</b>	<b>\$ 89,296</b>	<b>\$ 749,296</b>

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, 2007**

**NOTE 6 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.

As of June 30, 2007, the District has established the Reserve Account but has not made the transfers to the sinking fund as required.

Qualified Zone Academy Bond

During the year ended June 30, 2006, the District issued zero interest Qualified Zone Academy Bonds (QZAB). 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, 2007 totaled \$73,978.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007**

**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, 2007, 2006, and 2005, were \$235,881, \$231,714, and \$224,921, 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 \$290,839 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**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	\$ 8,064

Services	<u>1,327</u>
	\$ <u>9,391</u>

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007**

**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, 2006 to reflect adjustments for accounts payable.

	Net Assets As Originally Reported	<u>Adjustment</u>	Net Assets As Restated
General Fund	\$ 515,248	5,431	520,679

The effect of the restatement increased the change in net assets for the year ended June 30, 2006 by \$5,431 and increased net assets by that same amount at June 30, 2006.

**NOTE 13 Construction Commitments**

In May 2007, the District signed a contract for \$64,800 for a heat pump system at the administration building.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES – BUDGET AND ACTUAL  
 ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2007**

	Governmental Fund Types <u>Actual</u>	Proprietary Fund Types <u>Actual</u>	<u>Total Actual</u>
Receipts:			
Local sources	\$ 4,378,086	215,617	4,593,703
State sources	4,337,603	4,634	4,342,237
Federal sources	210,874	167,568	378,442
Total receipts	<u>8,926,563</u>	<u>387,819</u>	<u>9,314,382</u>
Disbursements:			
Instruction	5,200,526	-	5,200,526
Support services	2,479,975	-	2,479,975
Non-instructional programs	-	390,199	390,199
Other expenditures	2,584,679	-	2,584,679
Total disbursements	<u>10,265,180</u>	<u>390,199</u>	<u>10,655,379</u>
Deficiency of receipts under disbursements	(1,338,617)	(2,380)	(1,340,997)
Other financing uses, net	<u>(9,500)</u>	<u>9,500</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,348,117)	7,120	(1,340,997)
Balances beginning of year, restated	<u>2,886,846</u>	<u>123,031</u>	<u>3,009,877</u>
Balances end of year	<u>\$ 1,538,729</u>	<u>130,151</u>	<u>1,668,880</u>

See Accompanying Independent Auditors' Report

<u>Budgeted Amounts</u>		<u>Final to Actual Variance Positive (Negative)</u>
<u>Original</u>	<u>Final</u>	
4,335,584	4,335,584	258,119
4,513,249	4,513,249	(171,012)
425,540	425,540	(47,098)
<u>9,274,373</u>	<u>9,274,373</u>	<u>40,009</u>
6,051,285	5,928,195	727,669
2,537,000	2,710,000	230,025
380,000	410,000	19,801
4,779,910	4,700,000	2,116,321
<u>13,748,195</u>	<u>13,748,195</u>	<u>3,093,816</u>
(4,473,822)	(4,473,822)	3,132,825
<u>7,500</u>	<u>7,500</u>	<u>(7,500)</u>
(4,466,322)	(4,466,322)	3,125,325
<u>3,464,763</u>	<u>3,464,763</u>	<u>(454,886)</u>
<u>(1,001,559)</u>	<u>(1,001,559)</u>	<u>2,670,439</u>

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
- BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007**

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 GAAP basis.

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 re-allocating budgeted expenditures, with no over-all increase.

During the year ended June 30, 2007, disbursements did not exceed 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, 2007**

	Special Revenue			
	Management Levy	Student Activity	Property Plant and Equipment Levy	Total
<b>Assets</b>				
Assets:				
Cash and pooled investments	\$ 90,743	127,896	31,416	250,055
Receivables:				
Property Tax:				
Delinquent	14,670	-	22,404	37,074
Succeeding year	231,803	-	179,161	410,964
Accounts	267	-	-	267
Total assets	\$ 337,483	127,896	232,981	698,360
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 4,222	905	4,605	9,732
Deferred revenue:				
Succeeding year property tax	231,803	-	179,161	410,964
Other	6,074	-	10,839	16,913
Total liabilities	242,099	905	194,605	437,609
Fund equity:				
Unreserved fund balances	95,384	126,991	38,376	260,751
Total liabilities and fund equity	\$ 337,483	127,896	232,981	698,360

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, 2007**

	Special Revenue			Total
	Management Levy	Student Activity	Property Plant and Equipment Levy	
Revenues:				
Local sources:				
Local Tax	\$ 211,512	-	64,026	275,538
Other	63,268	331,430	1,885	396,583
State sources	158	-	46	204
Federal sources	1,474	-	425	1,899
Total revenues	<u>276,412</u>	<u>331,430</u>	<u>66,382</u>	<u>674,224</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	132,573	-	-	132,573
Other instruction	-	293,246	-	293,246
	<u>132,573</u>	<u>293,246</u>	<u>-</u>	<u>425,819</u>
Support services:				
Operation and maintenance of plant services	83,796	-	41,952	125,748
Transportation services	13,567	-	-	13,567
	<u>97,363</u>	<u>-</u>	<u>41,952</u>	<u>139,315</u>
Other expenditures:				
Building and site improvements:	-	-	74,402	74,402
Total expenditures	<u>229,936</u>	<u>293,246</u>	<u>116,354</u>	<u>639,536</u>
Excess (deficiency) of revenues over (under) expenditures	46,476	38,184	(49,972)	34,688
Fund balances beginning of year	<u>48,908</u>	<u>88,807</u>	<u>88,348</u>	<u>226,063</u>
Fund balances end of year	<u>\$ 95,384</u>	<u>126,991</u>	<u>38,376</u>	<u>260,751</u>

See Accompanying Independent Auditors' Report

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGE IN SPECIAL REVENUE - STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2007**

	Balance Beginning of Year	Revenues and Intrafund Transfers	Expenditures and Intrafund Transfers	Balance End of Year
Elementary Outdoor	\$ 2,372	301	1,605	1,068
HS Thespians	2,336	3,081	3,082	2,335
HS Vocal music	392	63	203	252
MS Vocal music	330	10	-	340
Elementary vocal	426	-	93	333
HS Swing choir	640	-	299	341
MS Personal Development	595	1,858	655	1,798
HS Band	715	205	816	104
MS Band	16	796	922	(110)
Athletics	2,073	25,654	26,935	792
MS Athletics	3,459	6,925	7,395	2,989
Boys cross country	457	436	576	317
Girls cross country	510	422	444	488
Coed golf team	408	399	522	285
HS boys basketball	3,149	3,991	4,228	2,912
HS football	4,464	10,371	13,463	1,372
HS baseball	(86)	3,890	5,443	(1,639)
A&B club	2,553	201	2,585	169
HS boys track	-	922	1,535	(613)
MS G/B track	31	591	554	68
MS jump for heart	2	309	307	2
HS wrestling	402	4,900	5,279	23
HS girls basketball	1,802	6,050	4,781	3,071
MS girls basketball	1	1	1	1
HS volleyball	655	2,518	1,918	1,255
MS volleyball	-	253	252	1
HS softball	1,551	2,865	5,821	(1,405)
MS softball	11	-	-	11
HS girls track	-	-	463	(463)
Kuhlmann tech acct	1,371	65	183	1,253
Business Ed Club	862	458	850	470
Drill team	793	3,284	3,045	1,032
Art Club	201	124	170	155
Future homemakers	849	3,010	2,797	1,062
Health Occ	5,230	17,014	21,303	941
Elementary Library Maint	285	-	-	285
Key club	636	3,133	2,749	1,020
MVHS Pep Club	1,183	1,798	1,797	1,186
Science club	388	79	120	347
MS leadership	1,285	861	931	1,215
Spanish	1,391	733	641	1,483
Class of 2006	1,061	-	1,061	-
Class of 2007	2,669	899	2,438	1,130
Class of 2008	242	26,402	24,452	2,192
Class of 2009	273	-	153	120
Class of 2010	-	1,061	-	1,061
Subtotal	47,983	135,933	152,867	31,049

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF CHANGE IN SPECIAL REVENUE - STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2007**

	Balance Beginning of Year	Revenues and Intrafund Transfers	Expenditures and Intrafund Transfers	Balance End of Year
Subtotal carried forward	\$ 47,983	135,933	152,867	31,049
Technology projector	120	-	-	120
Alumni	111	-	-	111
SADD Chapter	863	826	869	820
Math club	359	3,870	3,517	712
Dream Program	177	-	-	177
MS student council	1,988	5,517	7,570	(65)
MS cheerleaders	47	3,230	3,255	22
HS cheerleaders	579	1,173	1,336	416
National Honor Society	(41)	861	686	134
Social Studies Inv	4,103	55,747	13,500	46,350
Social Studies Student	-	68,546	54,875	13,671
Special Olympics	450	2,085	1,467	1,068
HS Student Council	432	2,149	1,651	930
Boys basketball club	489	6,090	5,159	1,420
Football club	2,444	8,101	8,034	2,511
Baseball club	2,972	5,461	7,253	1,180
Boys track club	215	500	68	647
HS Media	1,254	744	1,382	616
Girls Basketball Club	1,926	1,486	2,477	935
Volleyball club	3,578	6,337	5,031	4,884
Student tech assoc	839	200	172	867
Softball club	1,964	1,789	1,474	2,279
Girls cross country	542	3,446	3,397	591
Jump rope for heart	-	134	-	134
Athletic safety equip	845	-	111	734
MS resale supplies	614	-	343	271
5 <sup>th</sup> grade club	504	-	-	504
HS resale supplies	1,047	334	860	521
Activity fund inv	5,744	2,207	1,467	6,484
HS activity fund	245	2,053	1,737	561
MS activity fund	1,233	108	465	876
Elementary activity	1,483	3,974	2,804	2,653
Arrow Head Diner	-	341	-	341
Band trip students	190	-	-	190
Annual/yearbook	1,619	8,060	9,311	368
Post prom	94	-	-	94
MV Home Page	1,795	128	108	1,815
Total	\$ 88,807	331,430	293,246	126,991

See Accompanying Independent Auditors' Report

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
YEAR ENDED JUNE 30, 2007**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Cash	\$ 10,026	53,458	53,523	9,961
Total assets	<u>10,026</u>	<u>53,458</u>	<u>53,523</u>	<u>9,961</u>
<b>Liabilities</b>				
Due to other governments	10,026	53,458	53,523	9,961
Total liabilities	<u>\$ 10,026</u>	<u>53,458</u>	<u>53,523</u>	<u>9,961</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			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local Tax	\$ 3,563,857	3,293,136	2,567,624	2,749,983
Tuition	187,568	170,217	173,745	169,566
Other	626,661	679,339	1,261,196	591,121
State sources	4,337,603	4,219,487	4,125,824	4,118,335
Federal sources	210,874	280,238	285,265	257,648
Total	<u>8,926,563</u>	<u>8,642,417</u>	<u>8,413,654</u>	<u>7,886,653</u>
Expenditures:				
Instruction:				
Regular instruction	3,066,054	2,919,893	3,114,027	3,058,496
Special instruction	1,085,851	1,063,065	1,197,697	1,227,444
Other instruction	1,048,621	1,098,824	785,507	759,754
Support services:				
Student services	182,325	132,436	134,866	161,213
Instructional staff services	271,163	337,026	168,072	187,007
Administration services	906,653	870,944	814,554	794,842
Operation and maintenance of plant services	791,257	822,026	742,073	773,151
Transportation services	328,577	349,093	332,589	264,756
Other expenditures:				
Facilities acquisition and improvements	1,717,443	847,757	101,128	-
Long-term debt:				
Principal	440,000	3,470,000	260,000	245,000
Interest and fiscal charges	136,397	354,517	309,698	323,736
AEA flowthrough	290,839	275,773	274,053	278,766
Total	<u>\$ 10,265,180</u>	<u>12,541,354</u>	<u>8,234,264</u>	<u>8,074,165</u>

See Accompanying Independent Auditors' Report

November 30, 2007

**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, 2007, and have issued our report thereon dated November 30, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Missouri Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Missouri Valley Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Missouri Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Missouri Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Missouri Valley Community School District's internal control.

Continued. . .

November 30, 2007  
Missouri Valley Community School District  
Internal Control and Compliance Report

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Missouri Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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, 2007 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.

Missouri Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Missouri Valley Community School District's responses and, accordingly, we express no opinion on them.

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, 2007**

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

**SIGNIFICANT DEFICIENCIES:**

No comments or recommendations.

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007**

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

II-A-07 Certified Budget – Disbursements for the year ended June 30, 2007 did not exceed the amended certified budget amounts.

II-B-07 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-07 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-07 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>
Jim Hornbeck, Teacher Owner, CJ Futures, Inc	Supplies	\$ 8,064
Carol Rodewald, Food Services Dir. Owner Carol’s Catering	Catering services	1,177
Ed Spencer, Bus Driver Ed’s Towing Service	Towing Services	<u>150</u>
		<u>\$ 9,391</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.

II-E-07 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-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-07 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.

**MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007**

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

II-I-07 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely.

II-J-07 Deficit Balances – Several student activity accounts had deficit balances at June 30, 2007.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

II-K-07 Revenue Bonds – The District did not make the required monthly transfers from the Revenue Accounts to the Sinking Accounts for both revenue bonds.

Recommendation – The District should make the monthly transfers to the Sinking Accounts as required by the bond resolutions.

Response – We will begin making the transfers to the two Sinking Accounts.

Conclusion – Response accepted.

# **NEWS RELEASE**

## **MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT MISSOURI VALLEY, IOWA 51555**

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

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

The District's revenues totaled \$9,330,592 for the year ended June 30, 2007, a 3.7 percent increase from the prior year. Revenues included \$3,077,080 in local tax, charges for service of \$843,289, operating grants, contributions and restricted interest of \$1,063,743, capital grants, contributions and restricted interest of \$6,205, unrestricted interest of \$69,992, and other general revenues of \$4,270,283.

Expenses for District operation totaled \$8,938,524, a 1.7 percent decrease from the prior year. Expenses included \$2,968,177 for regular instruction, \$1,085,851 for special instruction, and \$1,065,210 for other 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.

December 10, 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, 2007. Please review it and let me know if you have any changes. Also, we will need the MD & A back.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass

BM/sh  
Enc.

January 21, 2008

David Vaudt  
Office of State Auditor  
State Capitol Building, Room 111  
1007 East Grand Avenue  
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, 2007.

- 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.

January 21, 2008

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

Dear Robyn:

We have filed the required copy 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, P.O. Box 333, Des Moines, IA 50302.

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: 137.25

January 21, 2008

Iowa Department of Education  
Budgeting and Finance Team  
Grimes Building  
400 East 14<sup>th</sup> Street  
Des Moines, IA 50319-0146

Dear Sirs:

We have enclosed for your records one copy of the audit report for the Missouri Valley Community School District for the year ended June 30, 2007.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass  
Shareholder

BM/sh  
Enc.