

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

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	50
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	51-52
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	53
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	5	54-55
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	6	56-57
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	58
Schedule of Expenditures of Federal Awards	8	59
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		60-61
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		62-63
Schedule of Findings and Questioned Costs		64-69

Missouri Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 election)		
Brenda Dooley	President	2011
Daniel Zaiser	Vice-President	2009
Pat Skelton	Board Member	2009
Michele Wilson	Board Member	2011
Kelley Ruffcorn	Board Member	2011
Board of Education (After September 2009 election)		
Brenda Dooley	President	2011
Daniel Zaiser	Vice-President	2013
Michele Wilson	Board Member	2011
Kelley Ruffcorn	Board Member	2011
Roy Haynes	Board Member	2013
School Officials		
Dr. Thomas J. Micek	Superintendent	2010
Robyn Wohlers	District Secretary Treasurer	2010
Rick Franck	Board Attorney/ Administrative Attorney	2010

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Missouri Valley Community School District, Missouri Valley, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Missouri Valley Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2011 on our consideration of Missouri Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 two years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.


NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,918,705 in fiscal 2009 to \$8,168,529 in fiscal 2010, while General Fund expenditures decreased from \$8,312,805 in fiscal 2009 to \$8,272,419 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from a deficit \$508,176 in fiscal 2009 to a deficit balance of \$612,066 in fiscal 2010, a 20.44% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local and federal sources exceeding the decrease in state revenue in fiscal 2010. The increase in expenditures was due primarily to an increase in negotiated salary and benefits.

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 custodial for the benefit of those outside of the School District.

Notes to the 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 funds. In addition, schedules four through six provide information about fiduciary funds maintained by the District. These funds would include the Private Purpose Trust and the Agency Fund.

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

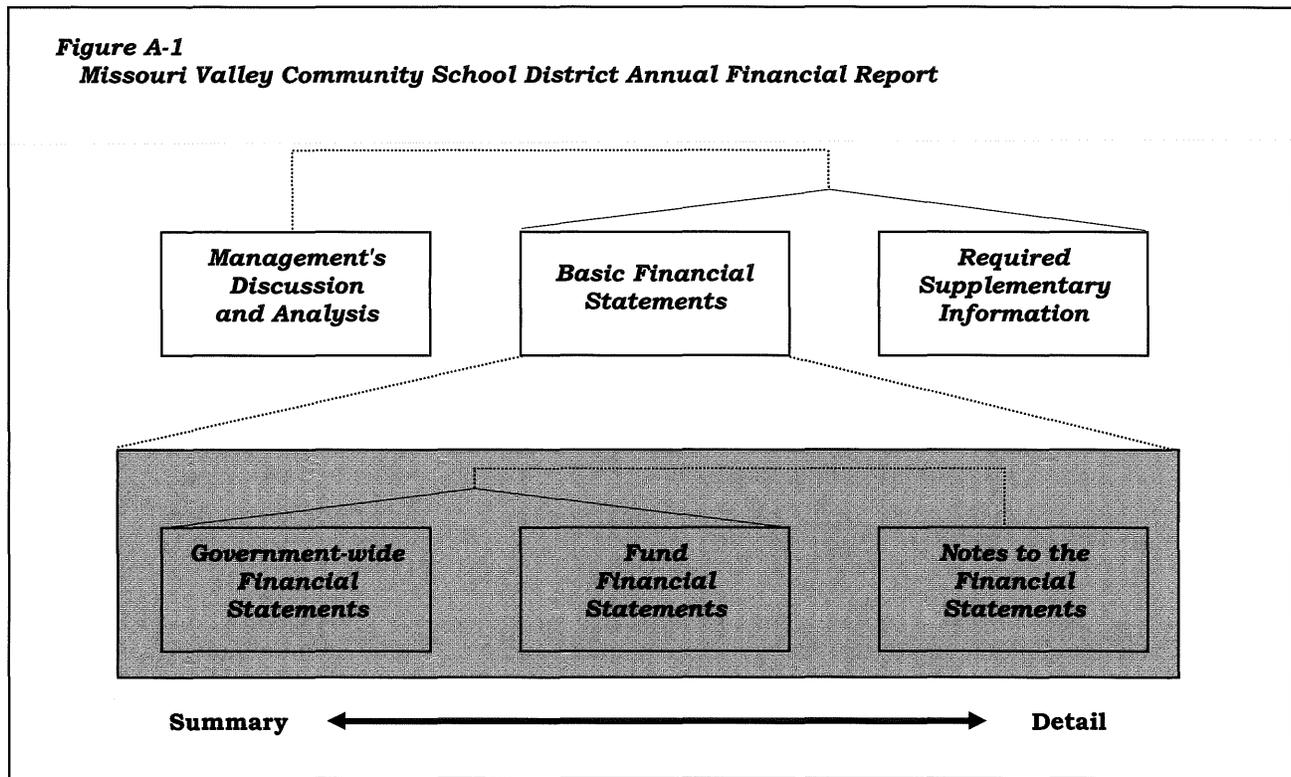


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and 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 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 and preschool 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, Capital Projects Fund and Debt Service Fund.

The required financial statements for the 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 two Enterprise Funds: the School Nutrition Fund and Preschool Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in 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 Fund - These are funds for which the District administers and accounts for the District's faculty pop funds and athletic coach's funds.

The District is responsible for ensuring that 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 District-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, 2010 compared to June 30, 2009.

Figure A-3 Condensed Statement of Net Assets								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2,010	2,009	2,010	2,009	2,010	2,009	2009-10	
Current and other assets	\$ 7,141,914	7,211,117	104,806	74,212	7,246,720	7,285,329		-0.53%
Capital assets	8,334,542	8,228,118	22,799	28,755	8,357,341	8,256,873		1.22%
Total assets	15,476,456	15,439,235	127,605	102,967	15,604,061	15,542,202		0.40%
Long-term obligations	4,379,292	4,141,924	-	-	4,379,292	4,141,924		5.73%
Other liabilities	5,035,460	5,707,004	4,739	3,022	5,040,199	5,710,026		-11.73%
Total liabilities	9,414,752	9,848,928	4,739	3,022	9,419,491	9,851,950		-4.39%
Net assets:								
Invested in capital assets, net of related debt	4,339,542	4,453,118	22,799	28,755	4,362,341	4,481,873		-2.67%
Restricted	2,201,171	1,626,723	-	-	2,201,171	1,626,723		35.31%
Unrestricted	(479,009)	(489,534)	100,067	71,190	(378,942)	(418,344)		-9.42%
Total net assets	\$ 6,061,704	5,590,307	122,866	99,945	6,184,570	5,690,252		8.69%

The District's combined net assets increased by 8.69%, or \$494,318 from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents 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 \$574,448, or 35.31% over the prior year. The increase is due largely to the increase in the Physical Plant and Equipment Levy Fund balance.

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 \$39,402, or 9.42%. This decrease is partially due to the decrease in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-4 Changes of Net Assets								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2010	2009	2010	2009	2010	2009	2007-08	
Revenues and Transfers:								
Program revenues:								
Charges for services	\$ 435,901	468,663	206,540	226,317	642,441	694,980	-7.56%	
Operating grants and contributions and restricted interest	1,856,968	1,218,781	191,539	200,784	2,048,507	1,419,565	44.31%	
General revenues:								
Property tax	3,192,424	3,078,765	-	-	3,192,424	3,078,765	3.69%	
Income surtax	311,115	308,226	-	-	311,115	308,226	0.94%	
Statewide sales and services tax	560,214	555,994	-	-	560,214	555,994	0.76%	
Unrestricted state grants	3,301,760	3,934,656	-	-	3,301,760	3,934,656	-16.09%	
Unrestricted investment earnings	65,352	42,714	99	260	65,451	42,974	52.30%	
Other	235,413	172,271	-	-	235,413	172,271	36.65%	
Transfers	(4,226)	(2,347)	4,226	2,347	-	-	0.00%	
Total revenues and transfers	9,954,921	9,777,723	402,404	429,708	10,357,325	10,207,431	1.47%	
Program expenses:								
Governmental activities:								
Instruction	5,659,885	5,768,752	2,155	19,256	5,662,040	5,788,008	-2.18%	
Support services	2,908,888	2,818,839	760	162	2,909,648	2,819,001	3.22%	
Non-instructional programs	-	-	376,568	437,842	376,568	437,842	-13.99%	
Other expenses	914,751	3,620,945	-	-	914,751	3,620,945	-74.74%	
Total expenses	9,483,524	12,208,536	379,483	457,260	9,863,007	12,665,796	-22.13%	
Changes in net assets	471,397	(2,430,813)	22,921	(27,552)	494,318	(2,458,365)	-120.11%	
Beginning net assets	5,590,307	8,021,120	99,945	127,497	5,690,252	8,148,617	-30.17%	
Ending net assets	\$ 6,061,704	5,590,307	122,866	99,945	6,184,570	5,690,252	8.69%	

In fiscal 2010, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 73.99% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.93% of the revenue from business type activities.

The District's total revenues were approximately \$10.35 million of which \$9.95 million was for governmental activities and more than \$0.40 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.47% increase in revenues and a 22.13% decrease in expenses. The increase in expenses related to the increase in negotiated salaries and benefits, utility costs and transportation costs.

Governmental Activities

Revenues and transfers out for governmental activities were \$9,954,921 and expenses were \$9,483,524.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 5,659,885	5,768,752	-1.89%	3,745,905	4,419,930	-15.25%
Support services	2,908,888	2,818,839	3.19%	2,908,685	2,813,995	3.36%
Other expenses	914,751	3,620,945	-74.74%	536,065	3,287,167	-83.69%
Totals	\$ 9,483,524	12,208,536	-22.32%	7,190,655	10,521,092	-31.65%

- The cost financed by users of the District's programs was \$435,901.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,856,968.
- The net cost of governmental activities was financed with \$3,192,424 in property tax, \$311,115 in income surtax, \$560,214 in statewide sales and services tax, \$3,301,760 in unrestricted state grants, \$65,352 in interest income and \$231,187 in other general revenues net of transfers.

Business type Activities

Revenues and transfers in of the District's business type activities were \$402,404 and expenses were \$379,483. The District's business type activities include the School Nutrition Fund, Preschool Fund and the School Store Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,783,342, above last year's ending fund balance of \$1,276,157. The increase was due primarily to the increase in Capital Projects Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local tax, state sources and federal sources resulted in an increase in revenues. However, along with the increase in revenues, the General Fund also had an increase in expenditures. Unfortunately the increase in General Fund revenues was not enough to offset the increase in General Fund expenditures, thus causing the General Fund balance to decrease from a deficit balance of \$508,176 in fiscal year 2009 to a deficit fund balance of \$612,066 in fiscal year 2010. In addition, the District transferred \$1,674 to support the

District's Nutrition Fund and \$3,894 to start up the District's School Store Fund and received and received \$1,342 from the Preschool Fund.

- The Capital Projects Fund is utilized for the collection of statewide sales and services tax and subsequent payment of infrastructure needs and revenue bonds of the District. The District made one transfer to the Debt Service Fund of \$109,480 to cover the costs related to the District's revenue bonds. The Capital Projects balance increased from \$1,195,660 in fiscal year 2009 to \$1,504,293 in fiscal year 2010, due in part to decreased fund expenditures as compared to fiscal year 2009.
- The Debt Service Fund balance was utilized for the payments of principal and interest on bonds. The Debt Service balance decreased from \$91,572 in fiscal year 2009 to \$83,856 in fiscal year 2010.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$96,998 at June 30, 2009 to \$118,832 at June 30, 2010, representing an increase of 22.51%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$965,276 less than budgeted receipts, a variance of 8.55%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$8,357,341, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.22% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$496,352.

The original cost of the District's capital assets was \$15,637,263. Governmental funds account for \$15,459,364 with the remainder of \$177,899 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2009, compared to \$337,812 reported at June 30, 2010. The increase is due to construction projects started but not completed at June 30, 2010.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2008-09
Land	\$ 61,250	61,250	-	-	61,250	61,250	0.00%
Construction in progress	337,812	-	-	-	337,812	-	100.00%
Buildings	7,190,052	7,509,353	-	-	7,190,052	7,509,353	-4.25%
Land improvements	94,522	100,639	-	-	94,522	100,639	-6.08%
Machinery and equipment	650,906	556,876	22,799	28,755	673,705	585,631	15.04%
Total	<u>\$ 8,334,542</u>	<u>8,228,118</u>	<u>22,799</u>	<u>28,755</u>	<u>8,357,341</u>	<u>8,256,873</u>	<u>1.22%</u>

Long-Term Debt

At June 30, 2010, the District had \$4,379,292 in general obligation and other long-term debt outstanding. This represents an increase of 5.73% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District had outstanding general obligation bonds payable of \$1,930,000 at June 30, 2010.

The District had outstanding revenue bonds payable of \$365,000 at June 30, 2010.

The District had outstanding capital loan notes payable of \$700,000 at June 30, 2010.

The District had outstanding qualified zone academy bonds payable of \$1,000,000 at June 30, 2010.

The District had outstanding early retirement payable of \$341,696 at June 30, 2010.

The District had outstanding compensated absences of \$42,596 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 1,930,000	2,310,000	-16.45%
Revenue bonds	365,000	465,000	-21.51%
Capital loan notes	700,000	-	100.00%
Qualified zone academy bonds	1,000,000	1,000,000	0.00%
Early retirement	341,696	331,170	3.18%
Compensated absences	42,596	35,754	19.14%
Totals	<u>\$ 4,379,292</u>	<u>4,141,924</u>	<u>5.73%</u>

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:

With the District's current financial challenges, the FY 2010 state budget cut of 10% resulted in a significant decrease in General Fund revenue shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections.
- The District continues to have issues with declining enrollment. The decline in enrollment means less state funding for the District.
- The District is sharing its superintendent with West Harrison for the FY 11 school year. The split is 60% Missouri Valley and 40% West Harrison.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007 and to 6.35% on July 1, 2008, and will increase to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010.
- Health insurance premiums will continue to major issue for the District for the foreseeable future.

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 Robyn Wohlers, District Secretary/Treasurer, Missouri Valley Community School District, 109 East Michigan Street, Missouri Valley, Iowa, 51555.

BASIC FINANCIAL STATEMENTS

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,580,384	88,239	2,668,623
Receivables			
Property tax:			
Delinquent	52,353	-	52,353
Succeeding year	3,766,749	-	3,766,749
Income surtax	276,490	-	276,490
Accounts	11,418	-	11,418
Due from other governments	393,520	-	393,520
Inventories	-	16,567	16,567
Capital assets, net of accumulated depreciation	8,334,542	22,799	8,357,341
Net OPEB asset	61,000	-	61,000
Total assets	15,476,456	127,605	15,604,061
Liabilities			
Accounts payable	172,568	-	172,568
Salaries and benefits payable	574,227	-	574,227
Accrued interest payable	14,378	-	14,378
ISCAP warrants payable	400,000	-	400,000
Deferred revenue:			
Succeeding year property tax	3,766,749	-	3,766,749
Other	107,538	-	107,538
Unearned revenue	-	4,739	4,739
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	390,000	-	390,000
Revenue bonds payable	105,000	-	105,000
Early retirement payable	64,316	-	64,316
Compensated absences	42,596	-	42,596
Portion due after one year:			
General obligation bonds payable	1,540,000	-	1,540,000
Revenue bonds payable	260,000	-	260,000
Early retirement payable	277,380	-	277,380
Capital loan note	700,000	-	700,000
Qualified zone academy bonds	1,000,000	-	1,000,000
Total liabilities	9,414,752	4,739	9,419,491
Net Assets			
Invested in capital assets, net of related debt	4,339,542	22,799	4,362,341
Restricted for:			
Educator quality, prof. development	43,753	-	43,753
Physical plant and equipment levy	473,963	-	473,963
Capital projects	534,114	-	534,114
Debt service	1,054,035	-	1,054,035
Other special revenue purposes	95,306	-	95,306
Unrestricted	(479,009)	100,067	(378,942)
Total net assets	\$ 6,061,704	122,866	6,184,570

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,354,912	242,544	1,341,640	(1,770,728)	-	(1,770,728)
Special	1,002,231	15,444	136,439	(850,348)	-	(850,348)
Other	1,302,742	177,913	-	(1,124,829)	-	(1,124,829)
	5,659,885	435,901	1,478,079	(3,745,905)	-	(3,745,905)
Support services:						
Student	168,423	-	-	(168,423)	-	(168,423)
Instructional staff	498,657	-	-	(498,657)	-	(498,657)
Administration	1,100,408	-	-	(1,100,408)	-	(1,100,408)
Operation and maintenance of plant	764,881	-	-	(764,881)	-	(764,881)
Transportation	376,519	-	203	(376,316)	-	(376,316)
	2,908,888	-	203	(2,908,685)	-	(2,908,685)
Other expenditures:						
Facilities acquisitions	120,917	-	5,042	(115,875)	-	(115,875)
Long-term debt interest	94,773	-	-	(94,773)	-	(94,773)
AEA flowthrough	373,644	-	373,644	-	-	-
Depreciation(unallocated)*	325,417	-	-	(325,417)	-	(325,417)
	914,751	-	378,686	(536,065)	-	(536,065)
Total governmental activities	9,483,524	435,901	1,856,968	(7,190,655)	-	(7,190,655)
Business Type activities:						
Instruction:						
Preschool	2,155	550	-	-	(1,605)	(1,605)
Support services:						
Administration	760	-	-	-	(760)	(760)
Non-instructional programs:						
Food service operations	376,202	205,484	191,539	-	20,821	20,821
Other enterprise operations	366	506	-	-	140	140
	376,568	205,990	191,539	-	20,961	20,961
Total business-type activities	379,483	206,540	191,539	-	18,596	18,596
Total	\$ 9,863,007	642,441	2,048,507	(7,190,655)	18,596	(7,172,059)
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,533,839	-	2,533,839
Debt service				455,851	-	455,851
Capital outlay				202,734	-	202,734
Income surtax				311,115	-	311,115
Statewide sales and services tax				560,214	-	560,214
Unrestricted state grants				3,301,760	-	3,301,760
Unrestricted investment earnings				65,352	99	65,451
Other general revenues				235,413	-	235,413
Transfers				(4,226)	4,226	-
Total general revenues and transfers				7,662,052	4,325	7,666,377
Changes in net assets				471,397	22,921	494,318
Net assets beginning of year				5,590,307	99,945	5,690,252
Net assets end of year				\$ 6,061,704	122,866	6,184,570

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

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 479,812	1,224,332	876,240	2,580,384
Receivables:				
Property tax:				
Delinquent	37,478	-	14,875	52,353
Succeeding year	2,861,527	-	905,222	3,766,749
Income surtax	276,490	-	-	276,490
Accounts	11,418	-	-	11,418
Due from other governments	113,559	279,961	-	393,520
Total Assets	\$ 3,780,284	1,504,293	1,796,337	7,080,914
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 172,568	-	-	172,568
Salaries and benefits payable	574,227	-	-	574,227
ISCAP warrants payable	400,000	-	-	400,000
Deferred revenue:				
Succeeding year property tax	2,861,527	-	905,222	3,766,749
Income surtax	276,490	-	-	276,490
Other	107,538	-	-	107,538
Total liabilities	4,392,350	-	905,222	5,297,572
Fund balances:				
Reserved for:				
Debt service	-	970,179	83,856	1,054,035
Educator Quality, Professional Development	43,753	-	-	43,753
Unreserved:				
Unreserved	(655,819)	534,114	807,259	685,554
Total fund balances	(612,066)	1,504,293	891,115	1,783,342
Total liabilities and fund balances	\$ 3,780,284	1,504,293	1,796,337	7,080,914

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$	1,783,342
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,334,542
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		276,490
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.		(14,378)
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		61,000
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, qualified zone academy bonds payable, early retirement payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(4,379,292)
		<hr style="width: 100%;"/>
Net assets of governmental activities (page 18)	\$	<u><u>6,061,704</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,591,520	560,214	878,076	4,029,810
Tuition	231,738	-	-	231,738
Other	194,841	4,492	305,595	504,928
State sources	4,391,446	-	5,601	4,397,047
Federal sources	757,642	-	4,039	761,681
Total revenues	<u>8,167,187</u>	<u>564,706</u>	<u>1,193,311</u>	<u>9,925,204</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,357,065	-	168,969	3,526,034
Special	1,012,539	-	-	1,012,539
Other	1,033,817	-	266,698	1,300,515
	<u>5,403,421</u>	<u>-</u>	<u>435,667</u>	<u>5,839,088</u>
Support services:				
Student	169,672	-	-	169,672
Instructional staff	417,530	-	-	417,530
Administration	1,090,878	750	4,000	1,095,628
Operation and maintenance of plant	494,178	-	279,843	774,021
Transportation	317,528	2,289	92,526	412,343
	<u>2,489,786</u>	<u>3,039</u>	<u>376,369</u>	<u>2,869,194</u>
Other expenditures:				
Facilities acquisitions	-	143,554	313,327	456,881
Long-term debt:				
Principal	-	-	480,000	480,000
Interest and fiscal charges	-	-	94,986	94,986
AEA flowthrough	373,644	-	-	373,644
	<u>373,644</u>	<u>143,554</u>	<u>888,313</u>	<u>1,405,511</u>
Total expenditures	<u>8,266,851</u>	<u>146,593</u>	<u>1,700,349</u>	<u>10,113,793</u>
Excess (deficiency) of revenues over (under) expenditures	(99,664)	418,113	(507,038)	(188,589)
Other financing sources (uses):				
Transfers in	1,342	-	109,480	110,822
Transfer out	(5,568)	(109,480)	-	(115,048)
Loan proceeds	-	-	700,000	700,000
Total other financing sources (uses)	<u>(4,226)</u>	<u>(109,480)</u>	<u>809,480</u>	<u>695,774</u>
Net change in fund balances	(103,890)	308,633	302,442	507,185
Fund balance beginning of year	(508,176)	1,195,660	588,673	1,276,157
Fund balance end of year	<u>\$ (612,066)</u>	<u>1,504,293</u>	<u>891,115</u>	<u>1,783,342</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
 JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ 507,185

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal of capital assets in the year are as follows:

Capital outlays	\$ 598,668	
Depreciation expense	(490,396)	
Loss on disposal of capital assets	<u>(1,848)</u>	106,424

Income surtax receivable is not available to finance expenditures of the current year period in the governmental funds. 33,943

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	\$ (700,000)	
Repaid	<u>480,000</u>	(220,000)

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. 213

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

Early retirement	\$ (10,526)	
Compensated absences	(6,842)	
Other posemployment benefits	<u>61,000</u>	<u>43,632</u>

Changes in net assets of governmental activities (page 19) \$ 471,397

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Enterprise Funds		
	School		
	Nutrition	School Store	Total
Assets			
Cash and pooled investments	\$ 84,205	4,034	88,239
Inventories	16,567	-	16,567
Capital assets, net of accumulated depreciation	22,799	-	22,799
Total assets	123,571	4,034	127,605
Liabilities			
Unearned revenue	4,739	-	4,739
Total liabilities	4,739	-	4,739
Net Assets			
Invested in capital assets	22,799	-	22,799
Unrestricted	96,033	4,034	100,067
Total net assets	\$ 118,832	4,034	122,866

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Preschool	School Store	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 203,972	-	-	203,972
Miscellaneous	1,512	550	506	2,568
TOTAL OPERATING REVENUES	205,484	550	506	206,540
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	-	23	-	23
Benefits	-	1,141	-	1,141
Services	-	179	-	179
Supplies	-	812	-	812
Total instruction	-	2,155	-	2,155
Support services:				
Administration:				
Services	760	-	-	760
Total support services	760	-	-	760
Non-instructional programs:				
Food service operations:				
Salaries	119,978	-	-	119,978
Benefits	26,021	-	-	26,021
Services	9,997	-	-	9,997
Supplies	211,716	-	351	212,067
Other	2,534	-	15	2,549
Depreciation	5,956	-	-	5,956
Total non-instructional programs	376,202	-	366	376,568
TOTAL OPERATING EXPENSES	376,962	2,155	366	379,483
OPERATING INCOME (LOSS)	(171,478)	(1,605)	140	(172,943)
NON-OPERATING REVENUES:				
State sources	3,949	-	-	3,949
Federal sources	187,590	-	-	187,590
Interest income	99	-	-	99
TOTAL NON-OPERATING REVENUES	191,638	-	-	191,638
Change in net assets before other financing sources	20,160	(1,605)	140	18,695
OTHER FINANCING SOURCES (USES):				
Transfer in	1,674	-	3,894	5,568
Transfer out	-	(1,342)	-	(1,342)
TOTAL OTHER FINANCING SOURCES (USES)	1,674	(1,342)	3,894	4,226
Change in net assets	21,834	(2,947)	4,034	22,921
Net assets beginning of year	96,998	2,947	-	99,945
Net assets end of year	\$ 118,832	-	4,034	122,866

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Preschool	School Store	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 205,804	2,478	-	208,282
Cash received from miscellaneous operating activities	1,512	550	506	2,568
Cash payments to employees for services	(145,999)	(1,165)	-	(147,164)
Cash payments to suppliers for goods or services	(204,492)	(1,045)	(366)	(205,903)
Net cash provided by(used in) operating activities	(143,175)	818	140	(142,217)
Cash flows from non-capital financing activities:				
Transfer in from General Fund	1,674	-	3,894	5,568
Transfer to General Fund	-	(1,341)	-	(1,341)
State grants received	3,949	-	-	3,949
Federal grants received	163,036	-	-	163,036
Net cash provided by(used in) non-capital financing activities	168,659	(1,341)	3,894	171,212
Cash flows from investing activities:				
Interest on investments	99	-	-	99
Net increase(decrease) in cash and cash equivalents	25,583	(523)	4,034	29,094
Cash and cash equivalents at beginning of year	58,622	523	-	59,145
Cash and cash equivalents at end of year	\$ 84,205	-	4,034	88,239
Reconciliation of operating loss to net cash used in operating activities:				
Operating income(loss)	\$ (171,478)	(1,606)	140	(172,944)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	24,554	-	-	24,554
Depreciation	5,956	-	-	5,956
Increase in inventories	(4,039)	-	-	(4,039)
Decrease in accounts receivable	61	2,478	-	2,539
Decrease in accounts payable	-	(54)	-	(54)
Increase in unearned revenue	1,771	-	-	1,771
Net cash used in operating activities	\$ (143,175)	818	140	(142,217)

During the year ended June 30, 2010, the District received Federal commodities valued at \$24,554.

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 125,868	8,741
Liabilities		
Due to other groups	-	8,741
Net Assets		
Unreserved	\$ 54,868	-
Reserved for scholarships	71,000	-
Total net assets	\$ 125,868	-

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 20
Contributions	36,604
Total additions	<u>36,624</u>
Deductions:	
Scholarships awarded	<u>8,500</u>
Change in net assets	28,124
Net assets beginning of year	<u>97,744</u>
Net assets end of year	<u>\$ 125,868</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(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. The geographic area served includes the cities of Missouri Valley, Iowa, and the predominately agricultural territory in Harrison and Pottawattamie Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, 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 provide services to the District but do 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 and Pottawattamie County Assessors' Conference Boards.

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 support.

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

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

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

Unrestricted net asset 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 Government-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 Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Preschool Fund. The School Nutrition 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 revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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 Funds 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 Balances

The following accounting policies are followed in preparing the financial statements:

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.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010 balances of interfund accounts receivable or payable have been recorded.

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, machinery and equipment and intangibles 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.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangible assets	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangible assets	2 or more
Machinery and equipment	5-15 years

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

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

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

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 if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. 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.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$658,950 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 109,480
Nutrition	General	1,674
General	Preschool	1,342
School Store	General	<u>3,894</u>
Total		<u>\$ 116,390</u>

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

Capital Projects Fund transferred to the Debt Service Fund to pay revenue bonds and debt relief.

General Fund transferred to the Nutrition Fund to pay Payschool software fees.

Preschool Fund transferred money to the General Fund to close out the Preschool Fund.

General Fund transferred money to the School Store Fund for start up cash.

(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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2008-09B warrants is 3.00%. The interest rate on the Series 2009-10B warrants was 4.50%. The interest rate on the Series 2009-10A warrants was 2.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Payable
2008-09B	1/21/2009	1/21/2010	699,000	-	699,000	-	-
2009-10B	1/21/2010	2/1/2011	-	800,000	400,000	400,000	-
2009-10A	6/25/2009	6/23/2010	-	900,000	900,000	-	-
Total			\$ 699,000	1,700,000	1,999,000	400,000	-

5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 61,250	-	-	61,250
Construction in progress	-	337,812	-	337,812
Total capital assets not being depreciated	61,250	337,812	-	399,062
Capital assets being depreciated:				
Buildings	11,764,339	-	-	11,764,339
Land improvements	746,941	-	-	746,941
Machinery and equipment	2,335,077	260,856	46,911	2,549,022
Total capital assets being depreciated	14,846,357	260,856	46,911	15,060,302
Less accumulated depreciation for:				
Buildings	4,254,986	319,301	-	4,574,287
Land improvements	646,302	6,117	-	652,419
Machinery and equipment	1,778,201	164,978	45,063	1,898,116
Total accumulated depreciation	6,679,489	490,396	45,063	7,124,822
Total capital assets being depreciated, net	8,166,868	(229,540)	1,848	7,935,480
Governmental activities capital assets, net	\$ 8,228,118	108,272	1,848	8,334,542

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 177,899	-	-	177,899
Less accumulated depreciation	149,144	5,956	-	155,100
Business type activities capital assets, net	<u>\$ 28,755</u>	<u>(5,956)</u>	<u>-</u>	<u>22,799</u>

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 19,973
Other			5,654
Support services:			
Student			636
Instructional staff			83,636
Administration			8,498
Operation of plant and maintenance			3,731
Transportation			42,851
			<u>164,979</u>
Unallocated depreciation			<u>325,417</u>
Total governmental activities depreciation expense			<u>\$ 490,396</u>
Business Type activities:			
Food services			<u>\$ 5,956</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 2,310,000	-	380,000	1,930,000	390,000
Revenue Bonds	465,000	-	100,000	365,000	105,000
Capital Loan Notes	-	700,000	-	700,000	100,000
Qualified Zone Academy Bonds	1,000,000	-	-	1,000,000	-
Early Retirement	331,170	84,149	73,623	341,696	64,316
Compensated Absences	35,754	42,596	35,754	42,596	42,596
Total	<u>\$ 4,141,924</u>	<u>826,745</u>	<u>589,377</u>	<u>4,379,292</u>	<u>701,912</u>

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated May 1, 2003			
	Interest Rates	Principal	Interest	Total
2011	3.35 %	\$ 390,000	65,525	455,525
2012	3.35	400,000	52,460	452,460
2013	3.35	415,000	39,060	454,060
2014	3.35	435,000	25,158	460,158
2015	3.50	290,000	10,150	300,150
Total		\$ 1,930,000	192,353	2,122,353

Revenue Bonds Payable

Details of the District's June 30, 2010 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond issue dated December 1, 2005			
	Interest Rates	Principal	Interest	Total
2011	4.08 %	\$ 105,000	12,742	117,742
2012	4.08	110,000	8,359	118,359
2013	4.08	95,000	4,180	99,180
2014	4.08	55,000	1,121	56,121
Total		\$ 365,000	26,402	391,402

The District has pledged future statewide sales and services tax revenues to repay the \$565,000 bonds issued December 1, 2005. The bonds were issued for the purpose of defraying a portion of the cost of capital improvements in the District. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 18 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$508,323. For the current year \$121,399 in principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$555,994.

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

- a) \$75,000 of the proceeds from the issuance of the 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 statewide 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.

Qualified Zone Academy Bonds

During the year ended June 30, 2006, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Money is set aside within the Capital Projects fund by making annual deposits into a Bankers Trust escrow account that will be used to pay the indebtedness due December 1, 2014, of \$1,000,000.

Capital Loan Notes

During the year ended June 30, 2010 the District issued Capital Loan Notes to provide funds for the purchase of equipment. The notes bear interest at 5% and are payable from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2010 are as follows:

Year Ending June 30,	Capital Loan issue dated June 10, 2010				
	Interest Rates	Principal	Interest	Total	
2011	4.00 %	\$ 100,000	26,300	126,300	
2012	4.00	100,000	23,000	123,000	
2013	4.00	100,000	19,000	119,000	
2014	4.00	100,000	15,000	115,000	
2015	4.00	100,000	11,000	111,000	
2016	4.00	100,000	6,000	106,000	
2017	4.00	100,000	2,000	102,000	
Total		\$ 700,000	102,300	802,300	

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and 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. Approved retirees 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 age sixty-five. The amount to be paid for new retiree's insurance coverage shall not exceed \$3,400 per year per retiree. Early retirement benefits paid during the year ended June 30, 2010 totaled \$73,623.

(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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 was \$277,701, \$312,749 and \$249,880, respectively, equal to the required contributions for the year.

(8) Other Postemployment Benefits

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical for retirees under one of three fully insured Copay plans offered through Alliance Select. There are 108 active and 22 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Alliant Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 127,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>127,000</u>
Contributions made	<u>(188,000)</u>
Decrease in net OPEB obligation	(61,000)
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ (61,000)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB

obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$188,000 to the medical plan. Plan members eligible for benefits contributed \$175,000, or 60.98% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$127,000	148.03%	(\$61,000)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,755,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,755,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,732,806, and the ratio of the UAAL to covered payroll was 37.1%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$10,572 annually for retirees and spouses less than 65. The salary increase rate was assumed to 3.5% per year. The implicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. The explicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an closed basis over 10 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$373,644 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance/Net Assets

The General Fund had a deficit unreserved undesignated fund balance of \$655,819. The District also had a deficit unrestricted net assets balance in the governmental activities of \$479,009.

(12) Construction Commitments

The District entered into a contract totaling \$939,600 for the renovation of the HVAC system at the High School. As of June 30, 2010, costs of \$337,812 had been incurred against the project. The balance of \$601,788 remaining at June 30, 2010 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES,
 EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,766,476	206,639	4,973,115	5,345,018	5,345,018	(371,903)
State sources	4,397,047	3,949	4,400,996	5,185,840	5,185,840	(784,844)
Federal sources	761,681	187,590	949,271	757,800	757,800	191,471
Total revenues	9,925,204	398,178	10,323,382	11,288,658	11,288,658	(965,276)
Expenditures/Expenses:						
Instruction	5,839,088	2,155	5,841,243	6,804,733	6,412,974	571,731
Support services	2,869,194	760	2,869,954	3,101,180	3,120,000	250,046
Non-instructional programs	-	376,568	376,568	525,000	500,000	123,432
Other expenditures	1,405,511	-	1,405,511	1,237,061	1,635,000	229,489
Total expenditures/expenses	10,113,793	379,483	10,493,276	11,667,974	11,667,974	1,174,698
Excess(deficiency) of revenues over(under) expenditures/expenses	(188,589)	18,695	(169,894)	(379,316)	(379,316)	209,422
Other financing sources(uses), net	695,774	4,226	700,000	(1,275)	(1,275)	701,275
Excess(Deficiency) of revenues and other financing sources(uses) under expenditures/expenses and other financing sources(uses)	507,185	22,921	530,106	(380,591)	(380,591)	910,697
Balance beginning of year	1,276,157	99,945	1,376,102	1,269,119	1,269,119	106,983
Balance end of year	\$ 1,783,342	122,866	1,906,208	888,528	888,528	1,017,680

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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. 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2010, the District had one budget amendment reclassifying expenditures among the functional areas.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 0	\$ 1,755,000	1,755,000	0.00%	\$ 4,732,807	37.08%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	Nonmajor Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total		
Assets						
Cash and pooled investments	\$ 95,306	234,436	469,842	799,584	76,656	876,240
Receivables:						
Property tax:						
Current year delinquent	-	3,554	4,121	7,675	7,200	14,875
Succeeding year	-	230,000	219,698	449,698	455,524	905,222
Total assets	\$ 95,306	467,990	693,661	1,256,957	539,380	1,796,337
Liabilities and Fund Balances						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ -	230,000	219,698	449,698	455,524	905,222
Total liabilities	-	230,000	219,698	449,698	455,524	905,222
Fund balances:						
Reserved for:						
Debt service	-	-	-	-	83,856	83,856
Unreserved	95,306	237,990	473,963	807,259	-	807,259
Total fund balances	95,306	237,990	473,963	807,259	83,856	891,115
Total liabilities and fund balances	\$ 95,306	467,990	693,661	1,256,957	539,380	1,796,337

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010

	Nonmajor Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total		
REVENUES:						
Local sources:						
Local tax	\$ -	219,491	202,734	422,225	455,851	878,076
Other	193,206	112,077	130	305,413	182	305,595
State sources						
	-	141	5,171	5,312	289	5,601
Federal sources						
	-	1,016	935	1,951	2,088	4,039
Total revenues	193,206	332,725	208,970	734,901	458,410	1,193,311
EXPENDITURES:						
Current:						
Instruction:						
Regular	-	168,969	-	168,969	-	168,969
Other	266,698	-	-	266,698	-	266,698
Support services:						
Administration	-	-	3,200	3,200	800	4,000
Operation and maintenance of plant	832	106,367	172,644	279,843	-	279,843
Transportation	-	12,217	80,309	92,526	-	92,526
Other expenditures:						
Facilities acquisitions	-	-	313,327	313,327	-	313,327
Long-term debt:						
Principal	-	-	-	-	480,000	480,000
Interest and fiscal charges	-	-	-	-	94,986	94,986
Total expenditures	267,530	287,553	569,480	1,124,563	575,786	1,700,349
Excess(deficiency) of revenues over(under) expenditures	(74,324)	45,172	(360,510)	(389,662)	(117,376)	(507,038)
Other financing sources(uses):						
Transfers in	-	-	-	-	109,480	109,480
Loan proceeds	-	-	700,000	700,000	-	700,000
Total other financing sources(uses)	-	-	700,000	700,000	109,480	809,480
Net change in fund balance	(74,324)	45,172	339,490	310,338	(7,896)	302,442
Fund balance beginning of year	169,630	192,818	134,473	496,921	91,752	588,673
Fund balance end of year	\$ 95,306	237,990	473,963	807,259	83,856	891,115

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
HS Thespians	\$ 2,076	2,650	2,582	-	2,144
HS Vocal Music	5,129	3,821	4,492	-	4,458
MS Vocal Music	5,917	-	134	-	5,783
Elementary Vocal Music	46	-	-	-	46
HS Swing Choir	121	-	-	-	121
HS Band	109	204	58	-	255
MS Band	93	10,705	6,133	-	4,665
6th Grade Band	80	-	-	-	80
Boys Cross Country	230	201	309	-	122
Girls Cross Country	384	201	612	27	-
Coed Golf	54	295	548	199	-
Drill Team	1,483	3,235	3,967	-	751
HS Boys Basketball	6,131	7,883	9,263	-	4,751
HS Football	10,674	9,381	15,424	-	4,631
HS Baseball	480	3,669	4,322	990	817
A&B Cub Baseball	738	-	-	(500)	238
HS Boys Track	-	1,485	1,154	-	331
MS G/B Track	76	203	196	-	83
HS Wrestling	-	8,844	7,967	-	877
HS Girls Basketball	3,128	3,424	2,444	-	4,108
MS Girls Basketball	1	-	-	-	1
HS Volleyball	2,324	6,714	5,654	-	3,384
MS Volleyball	6	-	-	-	6
HS Softball	461	5,373	5,016	368	1,186
MS Softball	11	-	-	-	11
Athletics	87	16,059	15,458	(43)	645
MS Athletics	104	-	90	70	84
Elementary Activity	1,829	271	1,654	-	446
MS Student Activity	812	2,012	2,060	-	764
HS Activity	1,465	320	221	-	1,564
Arrowhead Diner Account	244	21	-	-	265
MS Student Council	950	1,394	1,194	-	1,150
HS Student Council	2,901	1,326	1,243	-	2,984
MS Jump Rope for Heart	2	-	-	-	2
Annual	4,955	4,383	7,877	-	1,461
5th Grade	208	-	83	-	125
MS Leadership	1,215	-	-	-	1,215
Kuhlmann Technology	1,238	-	59	-	1,179
Student Technology	706	-	-	-	706
Technology Projector	120	-	-	-	120
Alumni	111	-	-	-	111
Friends of Rachel	293	164	342	-	115
Dream Program	63	-	10	-	53

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
National Honor Society	276	1,820	1,869	85	312
Post Prom	94	-	-	-	94
MoValley Home Page	1,742	15	438	-	1,319
Business Ed.	654	80	417	-	317
Art	311	65	-	-	376
Future Homemakers	873	2,736	2,129	-	1,480
Health Occupations	2,329	18,364	17,813	(85)	2,795
Key Club	827	3,700	3,871	(183)	473
MVHS Pep Club	506	-	506	-	-
Science Club	293	6	12	-	287
Spanish Club	1,648	186	306	-	1,528
Math Club	733	734	554	-	913
Class of 2010	2,166	882	2,303	-	745
Class of 2011	1,127	21,251	20,586	-	1,792
Class of 2012	348	-	-	-	348
Class of 2013	156	-	-	-	156
Social Studies Investments	26,416	4,885	-	(29,000)	2,301
Social Studies Students	49,330	8,042	84,654	29,000	1,718
Special Needs	1,710	1,249	974	-	1,985
Activity Fund Investments	1,918	145	875	(928)	260
Boys Basketball	953	2,169	1,344	-	1,778
Football	1,827	14,942	11,128	-	5,641
Baseball	2,090	6,839	7,138	-	1,791
Boys Track/Cross Country	2,220	-	-	(1,000)	1,220
Girls Basketball	2,928	2,735	2,916	-	2,747
Volleyball	6,259	870	470	-	6,659
Softball	2,080	90	27	-	2,143
Girls Cross Country	-	2,586	2,242	1,000	1,344
MS Cheerleaders	2	-	-	-	2
HS Cheerleaders	759	4,577	4,392	-	944
Total	<u>\$ 169,630</u>	<u>193,206</u>	<u>267,530</u>	<u>-</u>	<u>95,306</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 9,204	16,788	17,251	8,741
LIABILITIES				
Due to other groups	\$ 9,204	16,788	17,251	8,741

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund			
	Vocal	Longview	Key Club	Rand
	Scholarship	Scholarship	Scholarship	Scholarship
ASSETS				
Cash and pooled investments	\$ 427	298	525	37,235
Total assets	427	298	525	37,235
LIABILITIES				
	-	-	-	-
NET ASSETS				
Unreserved	427	298	525	4,235
Reserved for scholarships	-	-	-	33,000
Total net assets	\$ 427	298	525	37,235

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2010

Private Purpose Trust - Scholarship Fund					
Walsh Scholarship	Jensen Scholarship	McIntosh Scholarship	Thomas Scholarship	Brookhouser Scholarship	Total
42,474	32,102	2,271	6,300	4,236	125,868
42,474	32,102	2,271	6,300	4,236	125,868
-	-	-	-	-	-
4,474	32,102	2,271	6,300	4,236	54,868
38,000	-	-	-	-	71,000
42,474	32,102	2,271	6,300	4,236	125,868

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2010

	Vocal Scholarship	Longview Scholarship	Key Club Scholarship	Rand Scholarship
ADDITIONS:				
Local sources:				
Interest	\$ 1	-	-	6
Contributions	100	-	500	-
	<u>101</u>	<u>-</u>	<u>500</u>	<u>6</u>
DEDUCTIONS:				
Scholarships awarded	-	-	500	1,500
Changes in net assets	101	-	-	(1,494)
Net assets beginning of year	<u>326</u>	<u>298</u>	<u>525</u>	<u>38,729</u>
Net assets end of year	<u>\$ 427</u>	<u>298</u>	<u>525</u>	<u>37,235</u>

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2010

Walsh Scholarship	Jensen Scholarship	McIntosh Scholarship	Thomas Scholarship	Brookhouser Scholarship	Total
-	-	2	7	4	20
-	31,004	1,000	-	4,000	36,604
-	31,004	1,002	7	4,004	36,624
-	-	1,000	500	5,000	8,500
-	31,004	2	(493)	(996)	28,124
42,474	1,098	2,269	6,793	5,232	97,744
42,474	32,102	2,271	6,300	4,236	125,868

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 4,029,810	3,911,604	3,590,504	3,563,857	3,293,136	2,567,624	2,749,983
Tuition	231,738	169,642	180,746	187,568	170,217	173,745	169,566
Other	504,928	514,006	521,478	626,661	679,339	1,261,196	591,121
State sources	4,397,047	4,857,892	4,573,434	4,337,603	4,219,487	4,125,824	4,118,335
Federal sources	761,681	295,545	286,018	210,874	280,238	285,265	257,648
Total	\$ 9,925,204	9,748,689	9,152,180	8,926,563	8,642,417	8,413,654	7,886,653
Expenditures:							
Current:							
Instruction:							
Regular	\$ 3,526,034	3,666,662	3,451,845	3,066,054	2,919,893	3,114,027	3,058,496
Special	1,012,539	1,148,742	1,146,073	1,085,851	1,063,065	1,197,697	1,227,444
Other	1,300,515	969,973	886,236	1,048,621	1,098,824	785,507	759,754
Support services:							
Student	169,672	155,837	190,204	182,325	132,436	134,866	161,213
Instructional staff	417,530	315,230	271,626	271,163	337,026	168,072	187,007
Administration	1,095,628	1,022,919	985,912	906,653	870,944	814,554	794,842
Operation and maintenance of plant	774,021	986,220	903,724	791,257	822,026	742,073	773,151
Transportation	412,343	346,895	436,857	328,577	349,093	332,589	264,756
Other expenditures:							
Facilities acquisitions	456,881	204,021	274,905	1,717,443	847,757	101,128	-
Long-term debt:							
Principal	480,000	465,000	450,000	440,000	3,470,000	260,000	245,000
Interest and other charges	94,986	110,014	124,375	136,397	354,517	309,698	323,736
AEA flow-through	373,644	333,778	301,546	290,839	275,773	274,053	278,766
Total	\$ 10,113,793	9,725,291	9,423,303	10,265,180	12,541,354	8,234,264	8,074,165

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 30,684
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	156,906 *
			<u>187,590</u>
FRESH FRUIT AND VEGETABLE GRANT	10.582	FY 10	<u>500</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	112,126
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.389	FY 09	12,392
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.389	FY 10	6,757
			<u>131,275</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATES GRANTS	84.186	FY 10	<u>2,779</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>34,874</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>432,034</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 10	<u>5,727</u>
AREA EDUCATION AGENCY:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 10	<u>7,639</u>
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)			
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.027	FY 10	48,558
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 09	26,555
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	53,992
			<u>129,105</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 10	<u>488</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY(E2T2)	84.318	FY 10	<u>1,000</u>
TOTAL			<u>\$ 933,011</u>

* Includes \$24,554 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Missouri Valley Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-B-10, II-C-10, and II-D-10 to be significant deficiencies.

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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 test 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 and Questioned Costs. 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 Missouri Valley Community School District and other parties to whom 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.


NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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

To the Board of Education of
Missouri Valley Community School District

Compliance

We have audited the compliance of Missouri Valley Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Missouri Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Missouri Valley Community School District's management. Our responsibility is to express an opinion on Missouri Valley Community School District's compliance based on our audit.

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

In our opinion, Missouri Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Missouri Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Missouri Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Missouri Valley Community School District's internal control over compliance.

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A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement if a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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


NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2011

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act

Clustered Programs:

Title I Cluster

CFDA Number 84.010 - Title I Grants to Local Educational Agencies

CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Missouri Valley Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- II-A-10 Agency Fund - During our audit we noted the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the District serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or a parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District places certain assets into the custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary

The District appears to be improperly accounting for District funds as agency accounts.

Recommendation - Management should review each account identified in the agency fund and determine the most appropriate place to record the transactions. As stated above, the agency fund is created by the District to act as an 'agent' for non District accounts. The District may not arbitrarily choose which funds are placed into an agency account; based on convenience, amount, or sponsor preference. Monies accounted for in the Agency Fund should be the property of an entity that has its own federal identification number and would be considered a legally separate entity. If the accounts that are currently in the Agency Fund are truly District funds, the transactions should be recorded in the most appropriate fund where standard District policies and procedures should be followed.

It would appear that each of the accounts recorded in the Agency Fund are in fact District funds, which should be subject to the same level of accounting as any other transactions currently recorded in the District's records. The District needs to evaluate each account currently maintained in the Agency Fund and determine that account's validity as an Agency account.

As an example, currently the Coach's fund has revenue recorded from sales of advertising for District calendars, and the expenses include personal clothing purchases for staff. The revenue from selling advertisements should be recorded in the General Fund and used to offset the expenses of the calendar, unless it is a fundraiser for a specific Student Activity club, in which case it would be recorded in that account. The current expenses for staff clothing is not appropriate, because it does not meet public purpose as identified by Attorney General Opinion dated April 25, 1979. If the District decides to provide clothing for staff, the amount should be approved by the board and would be added to the individual's W-2 for payroll purposes.

As another example, each building maintains a faculty account within the Agency Fund. The revenues recorded in these accounts are derived from vending sales from District pop machines. Expenses from these accounts include beverages and meals for staff meetings. Clearly the profit from the sales of District's pop machines is the District's profit and should be recorded as revenue in the District's General Fund. The expenditures for staff meetings may not be appropriate and should be identified as to the public purpose served when approving and paying these types of bills.

As previously mentioned the District should review each Agency Fund account individually and then make necessary transfers to the funds that are most appropriate. The District should also review Chapter 9 of the LEA Administrative Manual to identify the most appropriate placement for these account transactions. The District should refrain from utilizing the Agency Fund for accounts that are not true agent relationships.

Response - The District has reviewed accounts within the Agency Fund and reclassified or eliminated several. An employer ID # was obtained on 3/3/2009 for the Missouri Valley School Faculty Organization. Most accounts remaining in the Agency account currently would be part of this organization. Audit concerns and recommendations have been and will continue to be forwarded to administrators and staff.

Conclusion - Response acknowledged. It appears the revenues that are placed in the agency funds such as advertisements and vending receipts are District revenues and should be reported in the District Accounting Records. The outside organization should not collect District revenues.

II-B-10 Washington D.C. Trip - We noted during our audit that the District wrote a check for the Washington D.C. trip directly to the owner of the travel agency rather than to the company directly.

Recommendation - The District should refrain from making payments to the individual directly when doing business with a company. The District should issue a 1099 to the owner of the travel agency whom the check was paid.

Response - The District will follow auditors' recommendations. A 1099 was issued for 2009 to that individual, and discussion ensued between the individual's accountant and the District so all parties are in agreement.

Conclusion - Response accepted.

II-C-10 Scholarships - We noted that the District transferred money for the Key Club in the Student Activity Fund to the Scholarships Trust Fund. The District indicated that the money was raised for the purpose of a scholarship, however, was deposited and recorded in the Student Activity Fund.

Recommendation - The District should deposit the fundraised money into the fund where it can be legally paid. The fundraiser generated revenue should be recorded directly into the Trust Fund.

Response - The District will educate staff as to proper procedures and follow recommendations.

Conclusion - Response accepted.

II-D-10 Credit Card Fees - We noted that the District paid late fees for the credit card.

Recommendation - The District may want to consider modifying its Board Policy 805.3 Payment of Goods and services to allow for payments with late fees to be paid, upon approval, between board meetings.

Response - The District has followed auditors' recommendations and is now paying credit card bills, with Board President approval, in a timely manner to avoid late fees.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 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.

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Daniel Zaiser, Board Member Wife does embroidery work on uniforms	Purchased service	\$ 119
Roy Haynes, Board Member Owns Ironmanz Collision	Purchased service	\$ 168
Carol Rodewald, Food Service Director Own's Carol's Catering	Purchased service	\$ 2,610
Joyce Lehman, Substitute Husband owns Lehman's Printing	Purchased service	\$ 10,255

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of Mr. Zaiser and Ms. Lehman does not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transaction with the employees of the District do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member Roy Haynes does not appear to be a conflict of interest.

IV-E-10 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.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- IV-H-10 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$ 234,210
Statewide sales and services tax revenue		560,214
Expenditures/transfers out:		
School infrastructure:		
Buildings	\$ 45,432	
Debt service for school infrastructure:		
Revenue debt	109,480	154,912
Ending balance	<u> </u>	<u>\$ 639,512</u>

As a result of statewide sales, services and use tax revenue received during the year ended June 30, 2010 the District reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical Plant and Equipment Levy	\$ 1.00000	\$ 205,050

- IV-M-10 Financial Condition - At June 30, 2010, the General Fund had a deficit unreserved undesignated fund balance of \$655,819. The District also had deficit unrestricted net assets in the governmental activities of \$479,009.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits accounts.

Response - The District will do so.

Conclusion - Response accepted.

IV-N-10 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - The staff and administration have been notified of this requirement and will do as recommended.

Conclusion - Response accepted.

IV-O-10 Authorized Check Signatures - We noted during our audit that two checks written in the Nutrition Fund only had one signature and that the High School Principal was signing Activity Fund checks.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa. However, the Board President can designate an authorized signer only upon approval in the board minutes.

Response - The two Nutrition fund checks in question had a hand-written signature of the Board Secretary, but the stamped signature of the Board President had been missed. The District will make every effort to prevent this oversight. In the Minutes of September 21, 2009, the Board approved naming the Board Vice-President and Superintendent as authorized designees for signing checks, and approved the HS/MS Principal as an authorized designee to sign checks for the Activity/Trust/Agency checking account.

Conclusion - Response accepted.

IV-P-10 Physical Plant and Equipment Levy Fund Expenditures - We noted during our audit that the District paid for cleaning services, snow removal services, repairs and other items from the Physical Plant and Equipment Levy Fund that are unallowable under Chapter 298.3 of the Code of Iowa totaling \$180,188.61.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures. The District should make a corrective transfer for \$180,188.61 from the General Fund to the Physical Plant and Equipment Levy Fund.

Response - The Board approved the corrective transfer as determined by the auditors, and it will be done as directed. In the future, the District will seek an opinion from the auditors with regard to allowable expenditures and coding considerations.

Conclusion - Response accepted.