

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

**JUNE 30, 2011**

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**City of Missouri Valley**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clint Sargent	Mayor	January 2012
Gene Dinsmore	Council Member	January 2014
Brent Dillinger	Council Member	January 2014
Robert Wentworth	Council Member	November 2011
Leonard Ratliff	Council Member	January 2012
Sherman Struble	Council Member	January 2012
Rita Miller	City Clerk, Administrator	Indefinite

**City of Missouri Valley**



Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

December 7, 2011

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Missouri Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

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Independent Auditors' Report  
City of Missouri Valley

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 7, 2011 on our consideration of the City of Missouri Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 7 through 12 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Missouri Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Schoell & Associate, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Missouri Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 4.1%, or approximately \$103,000 from fiscal year 2010 to fiscal year 2011. Bond and debt proceeds decreased \$1,264,000, intergovernmental receipts decreased approximately \$178,000 and property tax receipts increased approximately \$80,000.
- Disbursements of the City's governmental activities decreased 23.9% or approximately \$863,000 in fiscal year 2011 from fiscal year 2010. Public safety, capital projects, and debt service decreased approximately \$219,000, \$454,000 and \$172,000, respectively. Culture and recreation disbursements increased approximately \$43,000.
- The City's total cash basis net assets decreased 85.3%, or approximately \$400,000 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities decreased approximately \$354,000, and the assets of the business type activities decreased approximately \$46,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **Basis of Accounting**

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

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

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Tax, 3) the Capital Projects Fund, 4) the Debt Service Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The city's cash balance for governmental activities decreased by approximately \$354,000 from a year ago. The analysis that follows focuses on the changes in cash balances for government activities.

The City's property tax rate for fiscal 2011 is at \$18.261 per \$1,000 valuation, which is an increase from the property tax rate for fiscal 2010 of \$17.925.

The cost of all governmental activities this year was approximately \$2,753,000. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$2,116,872. The city paid for this with property taxes and other receipts.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 205	\$ 180
Operating grants, contributions and restricted interest	432	488
Capital grants, contributions and restricted interest	-	197
General receipts:		
Property tax	1,376	1,296
Tax increment financing	96	88
Local option sales tax	180	158
Grants and contributions not restricted to specific purposes	-	26
Miscellaneous	72	45
Rent	19	-
Unrestricted interest on investments	19	23
Total receipts	<u>2,399</u>	<u>2,502</u>
Disbursements:		
Operating:		
Public safety	594	813
Public works	523	559
Culture and recreation	445	402
Community and economic development	-	26
General government	255	254
Debt service	615	787
Capital projects	321	775
Total disbursements	<u>2,753</u>	<u>3,616</u>
Change in cash basis net assets before transfers	(354)	(1,114)
Other financing sources (uses), net	-	1,264
Change in cash basis net assets	(354)	150
Cash basis net assets, beginning of year	<u>3,186</u>	<u>3,036</u>
Cash basis net assets, end of year	<u>\$ 2,832</u>	<u>\$ 3,186</u>

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 557	\$ 576
Sewer	364	405
Capital grants, contributions and restrict interest	-	-
General receipts:		
Miscellaneous	9	11
Unrestricted interest on investments	13	16
Total receipts	<u>943</u>	<u>1,008</u>
Disbursements:		
Water	669	520
Water capital project	-	-
Sewer	320	256
Total disbursements	<u>989</u>	<u>776</u>
Change in cash basis net assets before transfers	(46)	232
Other financing sources (uses), net	<u>-</u>	<u>-</u>
Change in cash basis net assets	(46)	232
Cash basis net assets, beginning of year	<u>1,535</u>	<u>1,303</u>
Cash basis net assets, end of year	<u>\$ 1,489</u>	<u>\$ 1,535</u>

The business type activities receipts for the fiscal year were approximately \$943,000, compared to \$1,008,000 last year. The slight decrease was due primarily to decreased sewer receipts received in the current year. The cash balance decreased approximately \$46,000 from the prior year. Total disbursements increased approximately \$213,000 from the prior year.

## INDIVIDUAL GOVERNMENTAL FUND ANALYSIS

As City of Missouri Valley completed the year, its governmental funds reported a combined fund balance of \$2,831,860, a decrease of \$354,279 from the prior year. The following reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund increased \$108,897 from the prior year to \$358,426.
- The Road Use Tax Fund decreased \$38,570 from the prior year to \$252,696.
- The Employee Benefit Fund decreased \$8,960 from the prior year to \$82,375.
- The Local Option Sales Tax Fund increased \$18,559 from the prior year to \$830,636.
- The Debt Service Fund decreased \$17,403 from the prior year to \$1,153,499.

- The Capital Projects Fund decreased \$419,076 from the prior year to \$0 mainly from inter-fund transfers to the General Fund and Road Use Tax Fund.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund decreased \$95,003 from the prior year to \$1,010,735.
- The Sewer Fund increased \$48,768 from the prior year to \$477,534. The increase was partially due to the increased in sewer fees in September 2008.

## BUDGETARY HIGHLIGHTS

The City amended its budget one time to increase budget receipts by \$51,778 and increase budget disbursements by \$398,977. Total City disbursements were \$69,374 less than the budgeted amount.

## DEBT ADMINISTRATION

At June 30, 2011, the City had approximately \$5,615,486 in bonds and other long term debt, compared to approximately \$6,279,044 last year.

	Outstanding Debt at Year End	
	June 30,	
	2011	2010
General Obligation notes	\$ 3,585,486	3,986,044
TIF Revenue bonds	385,000	475,000
Revenue notes	1,645,000	1,818,000
Total	\$ 5,615,486	6,279,044

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,970,486 is below its constitutional debt limit of approximately \$5,700,000.

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

The City of Missouri Valley's 2012 budget will decrease from 2011 primarily due to the completion of capital projects and debt retirement. The bond payment on the Third Street paving project will be made from Local Option Sales Tax revenue in 2012, as will the repaving project planned in 2012. As a result, property tax dollars will not be levied for those expenses. The City will also be undertaking a sewer line project, as well as continuing to upgrade water meters to a touch-read system, both of which will be paid for through water and sewer revenues. In 2012, the Fire and Rescue Department will be fully integrated into the City, which will add substantial revenue and expenses to the City's 2012 operating budget. The continued rise in fuel prices and insurance costs, along with the state rollback, are negative economic factors that also must be considered in the 2012 budget.

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

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

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

City of Missouri Valley  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2011

	<b>Program Receipts</b>		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 593,842	19,611	47,490
Public works	523,436	59,552	323,324
Culture and recreation	445,007	69,762	50,683
General government	255,171	56,202	10,334
Debt service	615,241	-	-
Capital projects	321,133	-	-
Total governmental activities	2,753,830	205,127	431,831
Business type activities:			
Water	669,705	556,914	-
Sewer	320,067	364,475	-
Total business type activities	989,772	921,389	-
 Total	\$ 3,743,602	1,126,516	431,831

**General Receipts:**  
Property tax levied for:  
    General purposes  
    Employee benefits  
    Debt service  
Tax increment financing  
Local option sales tax  
Unrestricted interest on investments  
Rent  
Miscellaneous  
    Total general receipts

Change in cash basis net assets  
Cash basis net assets beginning of year  
Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
Nonexpendable  
    Cemetery perpetual care  
Expendable:  
    Streets  
    Employee benefits  
    Property tax relief  
    Debt service  
    Other purposes  
    Meter deposits  
Unrestricted

Total cash basis net assets

See notes to financial statements

**Net (Disbursement) Receipts and Changes  
In Cash Basis Net Assets**

Governmental Activities	Business Type Activities	Total
(526,741)	-	(526,741)
(140,560)	-	(140,560)
(324,562)	-	(324,562)
(188,635)	-	(188,635)
(615,241)	-	(615,241)
(321,133)	-	(321,133)
<u>(2,116,872)</u>	<u>-</u>	<u>(2,116,872)</u>
-	(112,791)	(112,791)
-	44,408	44,408
<u>-</u>	<u>(68,383)</u>	<u>(68,383)</u>
(2,116,872)	(68,383)	(2,185,255)
\$ 735,947	-	735,947
299,984	-	299,984
340,455	-	340,455
95,668	-	95,668
180,274	-	180,274
18,964	12,758	31,722
19,430	-	19,430
71,871	9,390	81,261
<u>1,762,593</u>	<u>22,148</u>	<u>1,784,741</u>
(354,279)	(46,235)	(400,514)
<u>3,186,139</u>	<u>1,534,504</u>	<u>4,720,643</u>
\$ <u>2,831,860</u>	<u>1,488,269</u>	<u>4,320,129</u>
\$ 86,952	-	86,952
252,696	-	252,696
82,375	-	82,375
830,636	-	830,636
1,153,499	192,430	1,345,929
67,276	-	67,276
-	115,861	115,861
<u>358,426</u>	<u>1,179,978</u>	<u>1,538,404</u>
\$ <u>2,831,860</u>	<u>1,488,269</u>	<u>4,320,129</u>

City of Missouri Valley  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2011

	General	Road Use	Special Employee Benefits
<b>Receipts</b>			
Property tax	\$ 621,655	-	294,071
Tax increment financing collections	-	-	-
Other city tax	114,292	-	5,913
Licenses and permits	57,867	-	-
Use of money and property	39,768	-	-
Intergovernmental	69,632	310,995	-
Charges for service	146,960	-	-
Miscellaneous	118,832	488	407
<b>Total receipts</b>	<u>1,169,006</u>	<u>311,483</u>	<u>300,391</u>
<b>Disbursements</b>			
Operating:			
Public safety	454,480	-	139,362
Public works	124,722	319,900	78,814
Culture and recreation	386,454	-	58,553
General government	222,549	-	32,622
Debt service	-	-	-
Capital projects	-	-	-
<b>Total disbursements</b>	<u>1,188,205</u>	<u>319,900</u>	<u>309,351</u>
Excess (deficiency) of receipts over (under) disbursements	(19,199)	(8,417)	(8,960)
<b>Other financing sources (uses):</b>			
Operating transfers in	202,839	-	-
Operating transfers out	(74,743)	(30,153)	-
<b>Total other financing sources (uses)</b>	<u>128,096</u>	<u>(30,153)</u>	<u>-</u>
Net change in cash balances	108,897	(38,570)	(8,960)
Cash balances beginning of year	<u>249,529</u>	<u>291,266</u>	<u>91,335</u>
Cash balances end of year	<u>\$ 358,426</u>	<u>252,696</u>	<u>82,375</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable – Cemetary perpetual care	\$ -	-	-
Restricted for:			
Streets	-	252,696	-
Employee benefits	-	-	82,375
Property tax relief	-	-	-
Urban renewal	-	-	-
Debt service	-	-	-
Unassigned	<u>358,426</u>	<u>-</u>	<u>-</u>
<b>Total cash basis fund balances</b>	<u>\$ 358,426</u>	<u>252,696</u>	<u>82,375</u>

See notes to financial statements

**Exhibit B**

Revenue			Other Nonmajor Governmental Funds	Total
Local Option Sales Tax	Debt Service	Capital Projects		
-	334,020	-	-	1,249,746
-	-	-	95,668	95,668
180,274	6,435	-	-	306,914
-	-	-	-	57,867
-	-	-	599	40,367
-	-	-	-	380,627
-	-	-	-	146,960
-	-	-	1,675	121,402
<u>180,274</u>	<u>340,455</u>	<u>-</u>	<u>97,942</u>	<u>2,399,551</u>
-	-	-	-	593,842
-	-	-	-	523,436
-	-	-	-	445,007
-	-	-	-	255,171
-	615,241	-	-	615,241
-	-	321,133	-	321,133
<u>-</u>	<u>615,241</u>	<u>321,133</u>	<u>-</u>	<u>2,753,830</u>
180,274	(274,786)	(321,133)	97,942	(354,279)
-	257,383	104,896	-	565,118
(161,715)	-	(202,839)	(95,668)	(565,118)
<u>(161,715)</u>	<u>257,383</u>	<u>(97,943)</u>	<u>(95,668)</u>	<u>-</u>
18,559	(17,403)	(419,076)	2,274	(354,279)
<u>812,077</u>	<u>1,170,902</u>	<u>419,076</u>	<u>151,954</u>	<u>3,186,139</u>
<u>830,636</u>	<u>1,153,499</u>	<u>-</u>	<u>154,228</u>	<u>2,831,860</u>
-	-	-	86,952	86,952
-	-	-	-	252,696
-	-	-	-	82,375
830,636	-	-	-	830,636
-	-	-	67,276	67,276
-	1,153,499	-	-	1,153,499
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>358,426</u>
<u>830,636</u>	<u>1,153,499</u>	<u>-</u>	<u>154,228</u>	<u>2,831,860</u>

City of Missouri Valley  
 Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
 Proprietary Funds  
 As of and for the year ended June 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 556,914	364,475	921,389
Operating disbursements:			
Business type activities	<u>363,353</u>	<u>201,194</u>	<u>564,547</u>
Excess of operating receipts over operating disbursements	193,561	163,281	356,842
Non-operating receipts (disbursements):			
Interest on investments	8,398	1,038	9,436
Rent	-	3,322	3,322
Miscellaneous	9,390	-	9,390
Capital projects	(169,669)	(7,610)	(177,279)
Debt service	<u>(136,683)</u>	<u>(111,263)</u>	<u>(247,946)</u>
Total non-operating receipts (disbursements)	<u>(288,564)</u>	<u>(114,513)</u>	<u>(403,077)</u>
Net change in cash balances	(95,003)	48,768	(46,235)
Cash balances beginning of year	<u>1,105,738</u>	<u>428,766</u>	<u>1,534,504</u>
Cash balances end of year	\$ <u>1,010,735</u>	<u>477,534</u>	<u>1,488,269</u>
 <b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ 137,430	55,000	192,430
Meter deposits	115,861	-	115,861
Unrestricted	<u>757,444</u>	<u>422,534</u>	<u>1,179,978</u>
Total cash basis fund balances	\$ <u>1,010,735</u>	<u>477,534</u>	<u>1,488,269</u>

See notes to financial statements

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

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

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

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

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

B. Basis of Presentation - Continued

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefit Fund is used to account for property taxes levied to pay employee benefits.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

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

**B. Basis of Presentation - Continued**

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

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

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

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

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

**C. Measurement Focus and Basis of Accounting**

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

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

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

C. Measurement Focus and Basis of Accounting - Continued

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

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the budgeted amounts in the public safety, public works, and debt service functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2009, to compute the amounts which became liens on property on July 1, 2010. These taxes were due and payable in two installments on September 30, 2010 and March 31, 2011, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

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

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The carrying amount of cash at June 30, 2011 is \$4,160,135. This amount consists of checking accounts, money market and savings accounts, and certificates of deposit. Of this amount, \$3,931,570 is covered by federal depository insurance and \$228,380 is covered by collateral held by the city's agent in the City's name, except for \$185 which is petty cash.

At June 30, 2011, the City had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Insured Municipal Funds	\$ 30,005	\$ 31,443
U.S. Government Securities	<u>129,989</u>	<u>131,064</u>
	<u>\$ 159,994</u>	<u>\$ 162,507</u>

Credit risk

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

Interest rate risk

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

The City's total cash and investment was \$4,320,129 at June 30, 2011.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

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

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

Year Ended June 30,	General Obligation Debt		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Bonds		Total	
		Principal		Principal		Principal		Principal
2012	\$	409,255	\$	90,000	\$	180,000	\$	679,255
2013		301,231		95,000		70,000		466,231
2014		284,000		100,000		75,000		459,000
2015		296,000		100,000		80,000		476,000
2016		255,000		-		80,000		335,000
2017-2021		815,000		-		455,000		1,270,000
2022-2026		1,000,000		-		575,000		1,575,000
2027		225,000		-		130,000		355,000
Total	\$	<u>3,585,486</u>	\$	<u>385,000</u>	\$	<u>1,645,000</u>	\$	<u>5,615,486</u>
Year Ended June 30,		Interest		Interest		Interest		Interest
2012	\$	134,881	\$	15,225	\$	67,366	\$	217,472
2013		124,247		11,805		62,343		198,395
2014		115,173		8,100		59,998		183,271
2015		106,191		4,100		57,335		167,626
2016		96,135		-		54,335		150,470
2017-2021		371,840		-		219,787		591,627
2022-2026		185,725		-		110,750		296,475
2027		10,125		-		6,045		16,170
Total	\$	<u>1,144,317</u>	\$	<u>39,230</u>	\$	<u>637,959</u>	\$	<u>1,821,506</u>

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

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$980,000 of urban renewal tax increment financing revenue bonds in November 2005, for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$424,230, payable through June 2015. For the current year, total principal and interest paid and total TIF receipts were \$108,555 and \$95,668, respectively.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

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

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,725,000 in water revenue notes issued in April 2010. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the notes required less than 75 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$2,170,140. For the current year, total principal and interest paid and total customer net receipts were \$136,683 and \$193,561, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$337,000 and \$885,000 in sewer revenue notes issued in March 1992 and November 2006, respectively. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2012. Annual principal and interest payments on the notes required less than 70 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$112,819. For the current year, principal and interest paid and total current customer net receipts were \$111,263 and \$163,281, respectively.

Revenue Notes - Continued

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

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c) Establish water reserve account of \$137,430 for the purpose of paying principal and interest payments when deposits in the sinking fund are insufficient to make such payments.

The City has complied with the revenue note provisions.

The City has a legal debt limit of approximately \$5,700,000 which was not exceeded during the year ended June 30, 2011.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

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

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

Most regular plan members are required to contribute 4.50% of their annual salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$56,486, \$49,377, and \$48,425, respectively, equal to the required contributions for each year.

**NOTE (5) Other Postemployment Benefits (OPEB)**

Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 17 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$406 for single coverage, \$832 for single plus children, \$769 for single plus one, and \$1,247 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City made an implicit contribution of approximately \$1,100 to the plan. The retired plan member eligible for benefits contributed \$649 to the plan.

**NOTE (6) Leases**

In December 2006, the City entered into a lease agreement for a piece of equipment for \$145 per month for 48 months. Rent expense for the operating lease for the year ended June 30, 2011, was \$725.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

**NOTE (6) Leases - Continued**

In December 2010, the City entered into a lease agreement for a piece of equipment for \$92 per month for 60 months. Rent expense for the operating lease for the year ended June 30, 2011, was \$644. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>		
2012	\$	1,104
2013		1,104
2014		1,104
2015		1,104
2016		<u>460</u>
	\$	<u>4,876</u>

**NOTE (7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for vacation payable to employees at June 30, 2011, primarily relating to the General Fund is \$32,350.

Sick leave may be converted to vacation pay for hours exceeding 960 and is payable upon termination at the rate of one hour of vacation per three hours of sick leave. The approximate liability for sick leave conversion payable upon termination of these employees is \$461 at June 30, 2011.

These liabilities are computed based on rates of pay effective as of June 30, 2011.

**NOTE (8) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986, for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

**NOTE (8) Risk Management – Continued**

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The city's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$86,801.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool, up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claim shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

**NOTE (8) Risk Management – Continued**

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

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

**NOTE (9) Commitments**

Water Tank Maintenance Contract

In January, 2003, the City entered into an agreement with Utility Service Co., Inc. for total care and maintenance of the 750,000 gallon elevated water storage tower. The full renovation cost and maintenance fees are spread over the initial three years of the contract. The contract can be renewed every three years. The City made the required payment of \$21,936 in January 2011. The City's required payment for January 2012-2014 will be \$24,349 per year.

Administrative Services Contract

The City renewed its agreement with PeopleService, whereby the City engages PeopleService to manage, operate, and maintain the City's water and wastewater utility system. The Company in turn refunds to the City all cost savings on non-payroll operating expenses. The monthly contracted fee is \$17,092 effective through June 30, 2012, with an adjustment equaling one half the change in Consumer Price Index for All Urban Consumers (CPI-U) effective through June 30, 2013. Each year thereafter, the adjustment will equal the change in the CPI-U effective through June 30, 2017.

As required in this agreement, PeopleService computes, bills, collects and transmits to the City the revenues from water, sewer and landfill usage.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

**NOTE (10) Missouri Valley Development Corporation Agreement**

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

In November, 2004, the Corporation sold the building. The City agreed to extend the \$25,000 loan to the Corporation for future projects. Interest will continue to accrue at 5.5%. The City received an interest payment during the year ended June 30, 2011 of \$1,375. The balance of the loan is \$25,000 at June 30, 2011.

**NOTE (11) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 202,839
Capital Projects	General	74,743
	Special Revenue: Road Use Tax	30,153
		<u>104,896</u>
Debt Service	Special Revenue: Local Option Sales Tax	161,715
	Urban Renewal Tax Increment	95,668
		<u>257,383</u>
		<u>\$ 565,118</u>

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

**NOTE (12) Construction Contracts**

The City began construction for the Willow Creek Water Line replacement in 2011. The contract commitments on the project to date are as follows:

	Estimated Contract Amount	Paid to Date	Remaining Commitment
Construction contract	\$ 46,929	39,674	7,255
Engineering	10,250	10,250	-
			<u>\$ 7,255</u>

Retainage payable on the construction contract due at June 30, 2011 was \$2,088.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2011

**NOTE (13) Subsequent Event**

In July 2011, the Missouri Valley Fire Department became part of the City and will be integrated with the City for the year ending June 30, 2012.

**NOTE (14) Accounting Change**

Government Accounting Standards Board statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* was implemented during the year ended June 30, 2011. The change had no effect on beginning cash basis fund balances.

**Required Supplementary Information**

City of Missouri Valley  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Net
<b>Receipts</b>			
Property tax	\$ 1,249,746	-	1,249,746
Tax increment financing collections	95,668	-	95,668
Other city tax	306,914	-	306,914
Licenses and permits	57,867	-	57,867
Use of money and property	40,367	12,758	53,125
Intergovernmental	380,627	-	380,627
Charges for service	146,960	921,389	1,068,349
Special assessments	-	-	-
Miscellaneous	121,402	9,390	130,792
<b>Total receipts</b>	<u>2,399,551</u>	<u>943,537</u>	<u>3,343,088</u>
<b>Disbursements</b>			
Public safety	593,842	-	593,842
Public works	523,436	-	523,436
Culture and recreation	445,007	-	445,007
General government	255,171	-	255,171
Debt service	615,241	-	615,241
Capital projects	321,133	-	321,133
Business type activities	-	989,772	989,772
<b>Total disbursements</b>	<u>2,753,830</u>	<u>989,772</u>	<u>3,743,602</u>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(354,279)</b>	<b>(46,235)</b>	<b>(400,514)</b>
<b>Balances beginning of year</b>	<u>3,186,139</u>	<u>1,534,504</u>	<u>4,720,643</u>
<b>Balances end of year</b>	<u>\$ 2,831,860</u>	<u>1,488,269</u>	<u>4,320,129</u>

See accompanying independent auditors' report

Budgeted Amounts		Final to
Original	Final	Net
		Variance
1,258,869	1,258,869	(9,123)
118,054	118,054	(22,386)
296,112	296,112	10,802
12,750	27,250	30,617
78,205	78,205	(25,080)
336,280	360,609	20,018
1,122,215	1,122,215	(53,866)
61,120	61,120	(61,120)
153,675	166,624	(35,832)
<u>3,437,280</u>	<u>3,489,058</u>	<u>(145,970)</u>
555,860	586,272	(7,570)
508,181	514,041	(9,395)
459,107	462,407	17,400
237,946	286,996	31,825
615,120	615,120	(121)
175,000	321,134	1
862,785	1,027,006	37,234
<u>3,413,999</u>	<u>3,812,976</u>	<u>69,374</u>
23,281	(323,918)	(76,596)
<u>3,162,796</u>	<u>3,162,796</u>	<u>1,557,847</u>
<u>3,186,077</u>	<u>2,838,878</u>	<u>1,481,251</u>

City of Missouri Valley  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2011

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$51,778 and increased budgeted disbursements by \$398,977. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011 disbursements exceeded the amended budgeted amounts in the public safety, public works, and debt service functions.

**Other Supplementary Information**

City of Missouri Valley  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2011

	Special Revenue		Permanent	Total
	Urban Renewal Tax Increment	CDBG Housing Rehab	Cemetery Perpetual Care	
Receipts:				
Tax increment financing collections	\$ 95,668	-	-	95,668
Use of money and property	-	599	-	599
Miscellaneous	-	1,375	300	1,675
Total receipts	95,668	1,974	300	97,942
Other financing uses:				
Operating transfers (out)	(95,668)	-	-	(95,668)
Net change in cash balances	-	1,974	300	2,274
Cash balances beginning of year	-	65,302	86,652	151,954
Cash balances end of year	\$ -	67,276	86,952	154,228
 <b>Cash Basis Fund Balances</b>				
Nonspendable – Cemetery perpetual care	\$ -	-	86,952	86,952
Restricted for other purposes	-	67,276	-	67,276
Total cash basis fund balances	\$ -	67,276	86,952	154,228

See accompanying independent auditors' report

City of Missouri Valley  
Schedule of Indebtedness  
Year ended June 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation debt:			
Dump truck	Feb 23, 2009	5.00 %	72,429
Water improvement	Apr 24, 2009	3.00 - 4.50 %	2,980,000
Street sweeper	May 12, 2009	4.09 %	112,000
Fire truck	Feb 4, 2010	3.35%	235,000
3 <sup>rd</sup> street improvement	Nov 24, 2009	1.80 - 3.40%	1,050,000
Total			
Urban renewal tax increment financing (TIF) revenue bonds:			
General obligation and refunding bonds	Nov 22, 2005	3.80 - 4.10 %	\$ 980,000
Revenue notes:			
Sewer	Mar 16, 1992	3.00 %	\$ 337,000
Sewer	Nov 1, 1996	5.75 %	885,000
Water	Apr 15, 2009	3.15 - 4.65 %	1,725,000
Total			

See accompanying independent auditors' report

**Schedule 2**

<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
31,169	-	15,193	15,976	1,605	-
2,840,000	-	125,000	2,715,000	113,560	-
69,874	-	22,364	47,510	2,858	-
235,000	-	43,000	192,000	10,396	-
810,000	-	195,000	615,000	18,380	-
<u>\$ 3,986,043</u>	<u>-</u>	<u>400,557</u>	<u>3,585,486</u>	<u>146,799</u>	<u>-</u>
<u>\$ 475,000</u>	<u>-</u>	<u>90,000</u>	<u>385,000</u>	<u>18,555</u>	<u>-</u>
<u>\$ 48,000</u>	<u>-</u>	<u>23,000</u>	<u>25,000</u>	<u>1,095</u>	<u>-</u>
165,000	-	80,000	85,000	7,168	-
1,605,000	-	70,000	1,535,000	66,683	-
<u>\$ 1,818,000</u>	<u>-</u>	<u>173,000</u>	<u>1,645,000</u>	<u>74,946</u>	<u>-</u>

City of Missouri Valley  
Bond and Note Maturities  
June 30, 2011

Year Ending June 30,	Dump Truck Issued Feb 23, 2009		Water Improvements Issued Apr 24, 2009		General Obligation Street Sweeper Issued May 12, 2009	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
	2012	5.00 %	\$ 15,975	3.00 %	\$ 125,000	4.09 %
2013	-	-	3.20 %	130,000	4.09 %	24,231
2014	-	-	3.40 %	135,000	-	-
2015	-	-	3.60 %	140,000	-	-
2016	-	-	3.80 %	145,000	-	-
2017	-	-	3.90 %	150,000	-	-
2018	-	-	4.00 %	155,000	-	-
2019	-	-	4.10 %	165,000	-	-
2020	-	-	4.15 %	170,000	-	-
2021	-	-	4.20 %	175,000	-	-
2022	-	-	4.25 %	185,000	-	-
2023	-	-	4.30 %	190,000	-	-
2024	-	-	4.35 %	200,000	-	-
2025	-	-	4.40 %	210,000	-	-
2026	-	-	4.45 %	215,000	-	-
2027	-	-	4.50 %	225,000	-	-
Total		\$ <u>15,975</u>		\$ <u>2,715,000</u>		\$ <u>47,510</u>

**Urban Renewal Tax  
Increment Financing (TIF)  
Revenue Bonds**

GO Corp and Refunding Notes  
Issued Nov 22, 2005

Year Ending June 30,	Interest Rate	Amount
2012	3.80 %	\$ 90,000
2013	3.90 %	95,000
2014	4.00 %	100,000
2015	4.10 %	100,000
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025	-	-
2026	-	-
2027	-	-
Total		\$ <u>385,000</u>

See accompanying independent auditors' report

<b>Debt</b>				
Fire Truck Issued Feb 4, 2010		3 <sup>rd</sup> Street Improvement Issued Nov 24, 2009		Total
Interest Rate	Amount	Interest Rate	Amount	
3.35 %	\$ 45,000	1.80 %	\$ 200,000	\$ 409,254
3.35 %	47,000	2.35 %	100,000	301,231
3.35 %	49,000	2.75 %	100,000	284,000
3.35 %	51,000	3.15 %	105,000	296,000
-	-	3.40 %	110,000	255,000
-	-	-	-	150,000
-	-	-	-	155,000
-	-	-	-	165,000
-	-	-	-	170,000
-	-	-	-	175,000
-	-	-	-	185,000
-	-	-	-	190,000
-	-	-	-	200,000
-	-	-	-	210,000
-	-	-	-	215,000
-	-	-	-	225,000
	<u>\$ 192,000</u>		<u>\$ 615,000</u>	<u>\$ 3,585,485</u>

**Revenue Notes**

Sewer Issued Oct. 15, 1999		Sewer Issued Feb. 28, 2003		Water Issued Apr 15, 2009		Total
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
3.00 %	\$ 25,000	5.75 %	\$ 85,000	3.15 %	\$ 70,000	\$ 180,000
-	-	-	-	3.35 %	70,000	70,000
-	-	-	-	3.55 %	75,000	75,000
-	-	-	-	3.75 %	80,000	80,000
-	-	-	-	3.95 %	80,000	80,000
-	-	-	-	4.05 %	85,000	85,000
-	-	-	-	4.15 %	85,000	85,000
-	-	-	-	4.25 %	90,000	90,000
-	-	-	-	4.30 %	95,000	95,000
-	-	-	-	4.35 %	100,000	100,000
-	-	-	-	4.40 %	105,000	105,000
-	-	-	-	4.45 %	110,000	110,000
-	-	-	-	4.50 %	115,000	115,000
-	-	-	-	4.55 %	120,000	120,000
-	-	-	-	4.60 %	125,000	125,000
-	-	-	-	4.65 %	130,000	130,000
	<u>\$ 25,000</u>		<u>\$ 85,000</u>		<u>\$ 1,535,000</u>	<u>\$ 1,645,000</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts			
Property tax	\$ 1,249,746	1,159,025	1,139,007
Tax increment financing collections	95,668	88,554	132,418
Other city tax	306,914	294,781	312,273
Licenses and permits	57,867	16,268	8,082
Use of money and property	40,367	45,179	80,896
Intergovernmental	380,627	558,367	640,206
Charges for service	146,960	160,243	140,819
Special assessments	-	1,945	2,811
Miscellaneous	121,402	177,877	95,635
	<u>2,399,551</u>	<u>2,502,239</u>	<u>2,552,147</u>
Total	\$		
Disbursements			
Operating:			
Public safety	\$ 593,842	813,276	504,789
Public works	523,436	558,641	519,356
Culture and recreation	445,007	402,419	814,237
Community and economic development	-	26,190	-
General government	255,171	253,601	247,460
Debt service	615,241	787,073	420,384
Capital projects	321,133	775,015	-
	<u>2,753,830</u>	<u>3,616,215</u>	<u>2,506,226</u>
Total	\$		

See accompanying independent auditors' report

**Schedule 4**

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
993,959	906,871	954,490	947,298
76,174	172,242	264,215	274,845
295,582	270,813	260,569	266,249
6,612	6,631	10,690	8,278
143,153	186,868	71,127	28,913
427,167	602,242	293,004	319,538
146,554	162,842	170,013	163,518
7,006	-	-	-
<u>121,909</u>	<u>128,942</u>	<u>53,296</u>	<u>190,965</u>
<u>2,218,116</u>	<u>2,437,451</u>	<u>2,077,404</u>	<u>2,199,604</u>
510,017	469,765	428,948	377,636
477,145	404,610	483,418	377,457
440,063	430,750	376,793	428,532
-	302,070	598,168	-
312,698	269,048	280,952	242,345
264,138	363,538	684,935	322,746
<u>61,483</u>	<u>-</u>	<u>75,971</u>	<u>199,138</u>
<u>2,065,544</u>	<u>2,239,781</u>	<u>2,929,185</u>	<u>1,947,854</u>

**City of Missouri Valley**



Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

December 7, 2011

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 7, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Missouri Valley's internal control over financial reporting 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 City of Missouri Valley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Missouri Valley's internal control over financial reporting.

A deficiency in internal control 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 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

*Schwerdt Associates, P.C.*

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2011

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

**INTERNAL CONTROL DEFICIENCIES:**

No matters were reported.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2011

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

II-A-11 Certified Budget

Comment - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety, public works, and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion - Response accepted.

II-B-11 Entertainment Expense

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

II-C-11 Travel Expense

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

II-D-11 Business Transactions

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

II-E-11 Bond Coverage

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

II-F-11 Council Minutes

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

II-G-11 Revenue Notes

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

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2011

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

II-H-11      Excess Balances

Comment – The balances in the Special Revenue Fund, Local Option Sales Tax Account, CDBG Account, the Debt Service Fund, the Water Fund, and the Sewer Fund at June 30, 2011, were in excess of the accounts' disbursements for the year.

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

Response – We will review the Debt Service Fund further before the next budget is certified. We plan to utilize the funds in the Local Option Sales Tax Account for construction projects. We will consider a rate reduction to reduce the Water Fund and Sewer Fund.

Conclusion – Response accepted.

II-I-11      Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-J-11      Other Information Required by Bond Resolution

Insurance

Adequate insurance was in force at June 30, 2011.

Statistical Information

Utility customers served at June 30, 2011	1,217
Gallons billed during the year ended June 30, 2011 were approximately	80,137,400