

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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Missouri Valley Community School District
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2011
Robyn Wohlers	District Secretary Treasurer	2011
Rick Franck	Board Attorney/ Administrative Attorney	2011

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, 2011, 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, 2011, 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 March 6, 2012 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 46 through 48 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 three years ended June 30, 2010 (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 10, 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.

March 6, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,168,529 in fiscal 2010 to \$9,168,736 in fiscal 2011, while General Fund expenditures increased from \$8,272,419 in fiscal 2010 to \$8,666,460 in fiscal 2011. This resulted in an increase in the District's General Fund balance from a deficit \$612,066 in fiscal 2010 to a deficit balance of \$109,790 in fiscal 2011, a 82.06% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources. 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

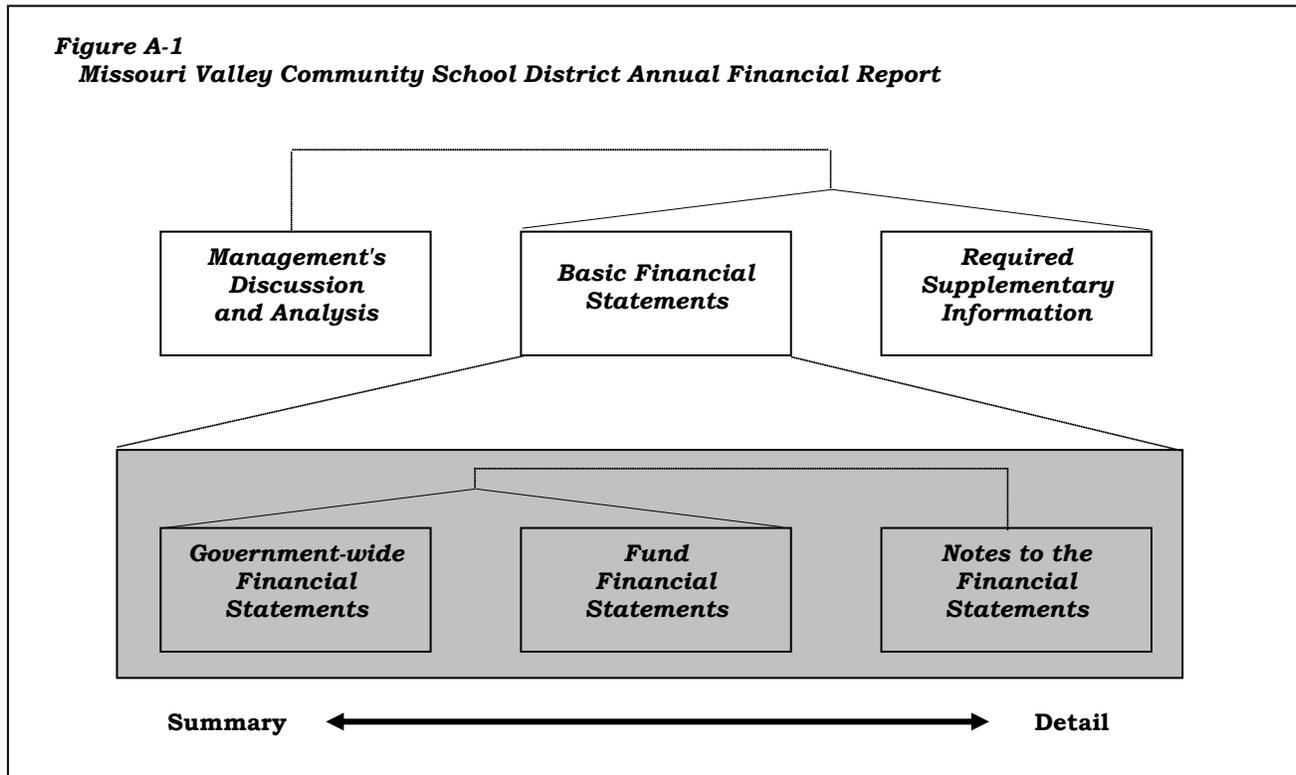


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 High School Store 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 the School Store 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, 2011 compared to June 30, 2010.

	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,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 7,457,056	7,141,914	121,889	104,806	7,578,945	7,246,720	4.58%
Capital assets	8,636,579	8,334,542	45,477	22,799	8,682,056	8,357,341	3.89%
Total assets	16,093,635	15,476,456	167,366	127,605	16,261,001	15,604,061	4.21%
Long-term obligations	3,725,441	4,379,292	-	-	3,725,441	4,379,292	-14.93%
Other liabilities	4,760,600	5,035,460	7,530	4,739	4,768,130	5,040,199	-5.40%
Total liabilities	8,486,041	9,414,752	7,530	4,739	8,493,571	9,419,491	-9.83%
Net assets:							
Invested in capital assets, net of related debt	5,236,579	4,339,542	45,477	22,799	5,282,056	4,362,341	21.08%
Restricted	2,228,075	2,201,171	-	-	2,228,075	2,201,171	1.22%
Unrestricted	142,940	(479,009)	114,359	100,067	257,299	(378,942)	167.90%
Total net assets	\$ 7,607,594	6,061,704	159,836	122,866	7,767,430	6,184,570	25.59%

The District's combined net assets increased by 25.59%, or \$1,582,860 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. 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 \$26,904, or 1.22% over the prior year. The increase is largely due to the increase in the Capital Projects: Statewide Sales, Services and Use Tax 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 – increased \$636,241, or 167.90%. This increase is mainly due to the improvement in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

	Figure A-4							
	Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
2011	2010	2011	2010	2011	2010	2010-11		
Revenues and Transfers:								
Program revenues:								
Charges for service	\$ 491,672	435,901	214,704	206,540	706,376	642,441	9.95%	
Operating grants, contributions and restricted interest	810,057	1,856,968	183,480	191,539	993,537	2,048,507	-51.50%	
General revenues:								
Property tax	3,767,900	3,192,424	-	-	3,767,900	3,192,424	18.03%	
Income surtax	274,118	311,115	-	-	274,118	311,115	-11.89%	
Statewide sales, services and use tax	641,879	560,214	-	-	641,879	560,214	14.58%	
Unrestricted state grants	4,449,575	3,301,760	-	-	4,449,575	3,301,760	34.76%	
Nonspecific program federal grants	291,515	-	-	-	291,515	-	100.00%	
Unrestricted investment earnings	6,949	65,352	116	99	7,065	65,451	-89.21%	
Other	310,846	235,413	3,137	-	313,983	235,413	33.38%	
Transfers	(27,457)	(4,226)	27,457	4,226	-	-	0.00%	
Total revenues and transfers	<u>11,017,054</u>	<u>9,954,921</u>	<u>428,894</u>	<u>402,404</u>	<u>11,445,948</u>	<u>10,357,325</u>	<u>10.51%</u>	
Program expenses:								
Governmental activities:								
Instruction	5,785,470	5,659,885	8,159	2,155	5,793,629	5,662,040	2.32%	
Support services	2,833,066	2,908,888	750	760	2,833,816	2,909,648	-2.61%	
Non-instructional programs	-	-	383,015	376,568	383,015	376,568	1.71%	
Other expenses	852,628	914,751	-	-	852,628	914,751	-6.79%	
Total expenses	<u>9,471,164</u>	<u>9,483,524</u>	<u>391,924</u>	<u>379,483</u>	<u>9,863,088</u>	<u>9,863,007</u>	<u>0.00%</u>	
Changes in net assets	1,545,890	471,397	36,970	22,921	1,582,860	494,318	220.21%	
Beginning net assets	<u>6,061,704</u>	<u>5,590,307</u>	<u>122,866</u>	<u>99,945</u>	<u>6,184,570</u>	<u>5,690,252</u>	<u>8.69%</u>	
Ending net assets	<u>\$ 7,607,594</u>	<u>6,061,704</u>	<u>159,836</u>	<u>122,866</u>	<u>7,767,430</u>	<u>6,184,570</u>	<u>25.59%</u>	

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 82.90% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 92.84% of the revenue from business type activities.

The District's total revenues were approximately \$11.45 million, of which approximately \$11.02 million was for governmental activities and approximately \$0.43 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.51% increase in revenues and a minimal increase in expenses.

Governmental Activities

Revenues for governmental activities were \$11,017,054 and expenses were \$9,471,164.

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		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 5,785,470	5,659,885	2.22%	4,867,178	3,745,905	29.93%
Support services	2,833,066	2,908,888	-2.61%	2,823,208	2,908,685	-2.94%
Other expenses	852,628	914,751	-6.79%	479,049	536,065	-10.64%
Totals	\$ 9,471,164	9,483,524	-0.13%	8,169,435	7,190,655	13.61%

- The cost financed by users of the District’s programs was \$491,672.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$810,057.
- The net cost of governmental activities was financed with \$3,767,900 in property tax, \$274,118 in income surtax, \$641,879 in statewide sales, services and use tax, \$4,449,575 in unrestricted state grants, \$291,515 in nonspecific program federal grants, \$6,949 in interest income and \$283,389 in other general revenues net of transfers.

Business type Activities

Revenues of the District’s business type activities were \$428,894 and expenses were \$391,924. The District’s business type activities include the School Nutrition 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 \$2,307,474, above last year’s ending fund balance of \$1,783,342. The increase was due primarily to the improvement in the General Fund balance.

Governmental Fund Highlights

- The District’s General Fund financial position is the product of many factors. Growth during the year in local and state sources resulted in an increase in revenues. The increase in revenues more than doubled the increase in expenditures allowing total revenues to outpace total expenditures and thus producing the improvement in General Fund balance. The District’s General Fund balance increased from deficit \$612,066 at June 30, 2010 to deficit \$109,790 at June 30, 2011.
- The Capital Projects Fund declined from a restated balance of \$1,978,256 at the beginning of fiscal year 2011 to \$1,912,437 at the end of fiscal year 2011. The beginning balance was

restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The Statewide Sales, Services and Use Tax Fund revenues increased \$82,737 and expenses increased \$254,690 when compared to the previous year. The Physical Plant and Equipment Levy Fund revenues decreased \$499,632 as a result of issuing Capital Loan Notes in the prior year and expenses increased \$42,357 when compared to the fiscal year 2010.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$118,832 at June 30, 2010 to \$156,748 at June 30, 2011, representing an increase of 31.91%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Missouri Valley Community School District amended its budget one time to redistribute expenditures between classifications.

The District's revenues were \$120,625 less than budgeted revenues, a variance of 1.04%. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$8,682,056, 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 3.89% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$563,561.

The original cost of the District's capital assets was \$16,392,387. Governmental funds account for \$16,187,803 with the remainder of \$204,584 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, 2011, compared to \$337,812 reported at June 30, 2010. The decrease is due to the completion of various construction projects that were 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,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 61,250	61,250	-	-	61,250	61,250	0.00%
Construction in progress	-	337,812	-	-	-	337,812	-100.00%
Buildings	7,855,268	7,190,052	-	-	7,855,268	7,190,052	9.25%
Land improvements	88,406	94,522	-	-	88,406	94,522	-6.47%
Machinery and equipment	631,655	650,906	45,477	22,799	677,132	673,705	0.51%
Total	<u>\$ 8,636,579</u>	<u>8,334,542</u>	<u>45,477</u>	<u>22,799</u>	<u>8,682,056</u>	<u>8,357,341</u>	<u>3.89%</u>

Long-Term Debt

At June 30, 2011, the District had \$3,725,441 in general obligation and other long-term debt outstanding. This represents a decrease of 14.93% 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 \$1,540,000 at June 30, 2011.

The District had outstanding revenue bonds payable of \$260,000 at June 30, 2011.

The District had outstanding capital loan notes payable of \$600,000 at June 30, 2011.

The District had outstanding qualified zone academy bonds payable of \$1,000,000 at June 30, 2011.

The District had outstanding early retirement payable of \$301,463 at June 30, 2011.

The District had outstanding compensated absences of \$23,978 at June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation bonds	\$ 1,540,000	1,930,000	-20.21%
Revenue bonds	260,000	365,000	-28.77%
Capital loan notes	600,000	700,000	-14.29%
Qualified zone academy bonds	1,000,000	1,000,000	0.00%
Early retirement	301,463	341,696	-11.77%
Compensated absences	23,978	42,596	-43.71%
Totals	<u>\$ 3,725,441</u>	<u>4,379,292</u>	<u>-14.93%</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:

- 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.
- 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, to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. The employers' contribution will increase to 8.07% on July 1, 2011.
- Health insurance premiums will continue to be a 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, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,624,229	110,332	2,734,561
Receivables			
Property tax:			
Delinquent	72,544	-	72,544
Succeeding year	3,943,862	-	3,943,862
Income surtax	277,193	-	277,193
Accounts	6,030	-	6,030
Due from other governments	409,782	-	409,782
Inventories	-	11,557	11,557
Capital assets, net of accumulated depreciation	8,636,579	45,477	8,682,056
Net OPEB asset	123,416	-	123,416
Total assets	16,093,635	167,366	16,261,001
Liabilities			
Accounts payable	161,211	2,523	163,734
Salaries and benefits payable	643,900	-	643,900
Accrued interest payable	11,627	-	11,627
Deferred revenue:			
Succeeding year property tax	3,943,862	-	3,943,862
Unearned revenue	-	5,007	5,007
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	400,000	-	400,000
Revenue bonds payable	110,000	-	110,000
Capital loan note	100,000	-	100,000
Early retirement payable	69,699	-	69,699
Compensated absences	23,978	-	23,978
Portion due after one year:			
General obligation bonds payable	1,140,000	-	1,140,000
Revenue bonds payable	150,000	-	150,000
Capital loan note	500,000	-	500,000
Qualified zone academy bonds	1,000,000	-	1,000,000
Early retirement payable	231,764	-	231,764
Total liabilities	8,486,041	7,530	8,493,571
Net Assets			
Invested in capital assets, net of related debt	5,236,579	45,477	5,282,056
Restricted for:			
Categorical funding	112,274	-	112,274
Debt service	92,008	-	92,008
Management levy purposes	17,053	-	17,053
Student activities	94,303	-	94,303
School infrastructure	1,640,973	-	1,640,973
Physical plant and equipment	271,464	-	271,464
Unrestricted	142,940	114,359	257,299
Total net assets	\$ 7,607,594	159,836	7,767,430

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	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	\$ 3,501,629	298,867	135,686	(3,067,076)	-	(3,067,076)
Special	1,072,173	34,303	100,640	(937,230)	-	(937,230)
Other	1,211,668	156,642	192,154	(862,872)	-	(862,872)
	5,785,470	489,812	428,480	(4,867,178)	-	(4,867,178)
Support services:						
Student	149,520	-	-	(149,520)	-	(149,520)
Instructional staff	332,946	-	743	(332,203)	-	(332,203)
Administration	1,105,670	-	5,270	(1,100,400)	-	(1,100,400)
Operation and maintenance of plant	852,821	-	-	(852,821)	-	(852,821)
Transportation	392,109	1,860	1,985	(388,264)	-	(388,264)
	2,833,066	1,860	7,998	(2,823,208)	-	(2,823,208)
Other expenditures:						
Long-term debt interest	101,816	-	-	(101,816)	-	(101,816)
AEA flowthrough	373,579	-	373,579	-	-	-
Depreciation (unallocated)*	377,233	-	-	(377,233)	-	(377,233)
	852,628	-	373,579	(479,049)	-	(479,049)
Total governmental activities	9,471,164	491,672	810,057	(8,169,435)	-	(8,169,435)
Business Type activities:						
Instruction:						
Other	8,159	-	-	-	(8,159)	(8,159)
Support services:						
Administration	750	-	-	-	(750)	(750)
Non-instructional programs:						
Food service operations	383,015	207,171	183,480	-	7,636	7,636
Other enterprise operations	-	7,533	-	-	7,533	7,533
	383,015	214,704	183,480	-	15,169	15,169
Total business type activities	391,924	214,704	183,480	-	6,260	6,260
Total	\$ 9,863,088	706,376	993,537	(8,169,435)	6,260	(8,163,175)
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,085,885	-	3,085,885
Debt service				453,658	-	453,658
Capital outlay				228,357	-	228,357
Income surtax				274,118	-	274,118
Statewide sales, services and use tax				641,879	-	641,879
Unrestricted state grants				4,449,575	-	4,449,575
Nonspecific program federal grants				291,515	-	291,515
Unrestricted investment earnings				6,949	116	7,065
Other general revenues				310,846	3,137	313,983
Transfers				(27,457)	27,457	-
Total general revenues and transfers				9,715,325	30,710	9,746,035
Changes in net assets				1,545,890	36,970	1,582,860
Net assets beginning of year				6,061,704	122,866	6,184,570
Net assets end of year				\$ 7,607,594	159,836	7,767,430

* 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, 2011

	Capital			Total
	General	Projects	Nonmajor	
Assets				
Cash and pooled investments	\$ 521,907	1,608,973	493,349	2,624,229
Receivables:				
Property tax:				
Delinquent	45,201	15,865	11,478	72,544
Succeeding year	3,063,323	228,079	652,460	3,943,862
Income surtax	277,193	-	-	277,193
Accounts	6,030	-	-	6,030
Due from other governments	108,977	300,805	-	409,782
Total assets	\$ 4,022,631	2,153,722	1,157,287	7,333,640
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 148,005	13,206	-	161,211
Salaries and benefits payable	643,900	-	-	643,900
Deferred revenue:				
Succeeding year property tax	3,063,323	228,079	652,460	3,943,862
Income surtax	277,193	-	-	277,193
Total liabilities	4,132,421	241,285	652,460	5,026,166
Fund Balances:				
Restricted for:				
Categorical funding	112,274	-	-	112,274
Debt service	-	-	92,008	92,008
Management levy purposes	-	-	318,516	318,516
Student activities	-	-	94,303	94,303
School infrastructure	-	1,640,973	-	1,640,973
Physical plant and equipment	-	271,464	-	271,464
Assigned for special purposes	10,714	-	-	10,714
Unassigned	(232,778)	-	-	(232,778)
Total fund balances	(109,790)	1,912,437	504,827	2,307,474
Total liabilities and fund balances	\$ 4,022,631	2,153,722	1,157,287	7,333,640

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, 2011

Total fund balances of governmental funds(page 20)	\$ 2,307,474
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,636,579
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	277,193
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(11,627)
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.	123,416
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 governmental funds.	(3,725,441)
Net assets of governmental activities(page 18)	<u>\$ 7,607,594</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, 2011

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 3,129,720	870,236	683,238	4,683,194
Tuition	271,975	-	-	271,975
Other	273,612	5,626	312,950	592,188
State sources	4,885,013	121	380	4,885,514
Federal sources	608,416	609	1,912	610,937
Total revenues	<u>9,168,736</u>	<u>876,592</u>	<u>998,480</u>	<u>11,043,808</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,364,913	-	189,487	3,554,400
Special	1,082,721	-	-	1,082,721
Other	1,046,213	-	178,144	1,224,357
	<u>5,493,847</u>	<u>-</u>	<u>367,631</u>	<u>5,861,478</u>
Support services:				
Student	150,238	-	-	150,238
Instructional staff	369,364	-	-	369,364
Administration	1,111,181	10,604	900	1,122,685
Operation and maintenance of plant	647,068	50,642	84,774	782,484
Transportation	340,994	11,500	11,219	363,713
	<u>2,618,845</u>	<u>72,746</u>	<u>96,893</u>	<u>2,788,484</u>
Other expenditures:				
Facilities acquisitions	-	796,568	-	796,568
Long-term debt:				
Principal	-	-	595,000	595,000
Interest and fiscal charges	-	-	104,567	104,567
AEA flowthrough	373,579	-	-	373,579
	<u>373,579</u>	<u>796,568</u>	<u>699,567</u>	<u>1,869,714</u>
Total expenditures	<u>8,486,271</u>	<u>869,314</u>	<u>1,164,091</u>	<u>10,519,676</u>
Excess(deficiency) of revenues over(under) expenditures	682,465	7,278	(165,611)	524,132
Other financing sources(uses):				
Transfers in	-	180,189	253,286	433,475
Transfer out	(180,189)	(253,286)	-	(433,475)
Total other financing sources(uses)	<u>(180,189)</u>	<u>(73,097)</u>	<u>253,286</u>	<u>-</u>
Net change in fund balances	502,276	(65,819)	87,675	524,132
Fund balances beginning of year, as restated	(612,066)	1,978,256	417,152	1,783,342
Fund balances end of year	<u>\$ (109,790)</u>	<u>1,912,437</u>	<u>504,827</u>	<u>2,307,474</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 524,132

**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. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Capital outlays	\$ 857,328	
Depreciation expense	(555,291)	302,037

Income surtax receivable is not available to finance expenditures of the current year period in the governmental funds. 703

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. 595,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,751

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	\$ 40,233	
Compensated absences	18,618	
Other posemployment benefits	62,416	121,267

Changes in net assets of governmental activities(page 19) \$ 1,545,890

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Enterprise Funds		
	School Nutrition	School Store	Total
Assets			
Cash and pooled investments	\$ 107,244	3,088	110,332
Inventories	11,557	-	11,557
Capital assets, net of accumulated depreciation	45,477	-	45,477
Total assets	164,278	3,088	167,366
Liabilities			
Accounts payable	2,523	-	2,523
Unearned revenue	5,007	-	5,007
Total liabilities	7,530	-	7,530
Net Assets			
Invested in capital assets	45,477	-	45,477
Unrestricted	111,271	3,088	114,359
Total net assets	\$ 156,748	3,088	159,836

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, 2011

	School Nutrition	School Store	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 207,171	-	207,171
Miscellaneous	3,137	7,533	10,670
Total operating revenues	210,308	7,533	217,841
Operating expenses:			
Instruction:			
Other:			
Supplies	-	8,039	8,039
Other	-	120	120
	-	8,159	8,159
Support services:			
Administration:			
Services	430	320	750
Non-instructional programs:			
Food service operations:			
Salaries	120,431	-	120,431
Benefits	25,721	-	25,721
Services	4,393	-	4,393
Supplies	222,605	-	222,605
Other	1,595	-	1,595
Depreciation	8,270	-	8,270
	383,015	-	383,015
Total operating expenses	383,445	8,479	391,924
Operating loss	(173,137)	(946)	(174,083)
Non-operating revenues:			
State sources	3,366	-	3,366
Federal sources	180,114	-	180,114
Interest income	116	-	116
Total non-operating revenues	183,596	-	183,596
Change in net assets before other financing sources	10,459	(946)	9,513
Other financing sources:			
Contributed capital	27,457	-	27,457
Change in net assets	37,916	(946)	36,970
Net assets beginning of year	118,832	4,034	122,866
Net assets end of year	\$ 156,748	3,088	159,836

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	School Nutrition	School Store	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 207,439	-	207,439
Cash received from miscellaneous operating activities	3,137	7,533	10,670
Cash payments to employees for services	(146,152)	-	(146,152)
Cash payments to suppliers for goods or services	(197,892)	(8,479)	(206,371)
Net cash used in operating activities	(133,468)	(946)	(134,414)
Cash flows from non-capital financing activities:			
State grants received	3,366	-	3,366
Federal grants received	156,516	-	156,516
Net cash provided by non-capital financing activities	159,882	-	159,882
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(3,491)	-	(3,491)
Cash flows from investing activities:			
Interest on investments	116	-	116
Net increase(decrease) in cash and cash equivalents	23,039	(946)	22,093
Cash and cash equivalents at beginning of year	84,205	4,034	88,239
Cash and cash equivalents at end of year	\$ 107,244	3,088	110,332
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (173,137)	(946)	(174,083)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	23,598	-	23,598
Depreciation	8,270	-	8,270
Decrease in inventories	5,010	-	5,010
Increase in accounts payable	2,523	-	2,523
Increase in unearned revenue	268	-	268
Net cash used in operating activities	\$ (133,468)	(946)	(134,414)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$23,598 of federal commodities.

During the year ended June 30, 2011, the Nutrition Fund received contributed capital of \$27,457 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 122,734	1,373
Liabilities		
Due to other groups	-	1,373
Net Assets		
Unreserved	51,734	-
Reserved for scholarships	71,000	-
Total net assets	\$ 122,734	-

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 3,209
Contributions	1,607
Total additions	<u>4,816</u>
Deductions:	
Scholarships awarded	<u>7,950</u>
Change in net assets	(3,134)
Net assets beginning of year	<u>125,868</u>
Net assets end of year	<u>\$ 122,734</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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. Combining schedules are also included for the Capital Projects Fund.

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 used to account for all resource used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, School Store 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.

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

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 Equity

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 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, 2011. 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 Equity - In the governmental fund financial statements, fund balance are classified as follows:

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 Board intends to use for specific purposes such as MS and HS library expenses, woods class and metals class expenses.

Unassigned - All amounts not included in other spendable classifications.

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. During the year ended June 30, 2011, expenditures in the support services functional area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits 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 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$927,205 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, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 112,641
Debt Service	Capital Projects: Physical Plant and Equipment Levy	140,645
Capital Projects: Physical Plant and Equipment Levy	General	180,189
Total		\$ 433,475

The Capital Projects: Statewide Sales, Services and Use Tax Fund transferred moneys to the Debt Service Fund for principal and interest requirements on the District's revenue bonded indebtedness.

The Capital Projects: Physical Plant and Equipment Levy Fund transferred moneys to the Debt Service Fund for principal and interest requirements on the District's Capital Loan Note indebtedness.

The General Fund transferred moneys to the Capital Projects: Physical Plant and Equipment Levy Fund as a corrective transfer from prior year audit findings.

(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 Series 2009-10B had a minimum interest rate of 4.50%. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10B	1/21/2010	2/1/2011	400,000	-	400,000	-
2010-11A	6/30/2010	2/23/2011		1,007,545	1,007,545	
2010-11B	1/26/2011	1/25/2012	-	250,000	250,000	-
Total			\$ 400,000	1,257,545	1,657,545	-

During the year ended June 30, 2011, the District paid 5,054 of interest on the ISCAP warrants.

5) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of 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	629,995	967,807	-
Total capital assets not being depreciated	<u>399,062</u>	<u>629,995</u>	<u>967,807</u>	<u>61,250</u>
Capital assets being depreciated:				
Buildings	11,764,339	1,036,333	-	12,800,672
Land improvements	746,941	-	-	746,941
Machinery and equipment	2,549,022	158,807	128,889	2,578,940
Total capital assets being depreciated	<u>15,060,302</u>	<u>1,195,140</u>	<u>128,889</u>	<u>16,126,553</u>
Less accumulated depreciation for:				
Buildings	4,574,287	371,117	-	4,945,404
Land improvements	652,419	6,116	-	658,535
Machinery and equipment	1,898,116	178,058	128,889	1,947,285
Total accumulated depreciation	<u>7,124,822</u>	<u>555,291</u>	<u>128,889</u>	<u>7,551,224</u>
Total capital assets being depreciated, net	<u>7,935,480</u>	<u>639,849</u>	<u>-</u>	<u>8,575,329</u>
Governmental activities capital assets, net	<u>\$ 8,334,542</u>	<u>1,269,844</u>	<u>967,807</u>	<u>8,636,579</u>
Business type activities:				
Machinery and equipment	\$ 177,899	30,948	4,263	204,584
Less accumulated depreciation	155,100	8,270	4,263	159,107
Business type activities capital assets, net	<u>\$ 22,799</u>	<u>22,678</u>	<u>-</u>	<u>45,477</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 20,919
Other	5,654
Support services:	
Student	636
Instructional staff	94,201
Administration	8,226
Operation of plant and maintenance	3,696
Transportation	44,726
	<u>178,058</u>
Unallocated depreciation	<u>377,233</u>
Total governmental activities depreciation expense	<u>\$ 555,291</u>
Business Type activities:	
Food services	<u>\$ 8,270</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 1,930,000	-	390,000	1,540,000	400,000
Revenue Bonds	365,000	-	105,000	260,000	110,000
Capital Loan Notes	700,000	-	100,000	600,000	100,000
Qualified Zone Academy Bonds	1,000,000	-	-	1,000,000	-
Early Retirement	341,696	27,766	67,999	301,463	69,699
Compensated Absences	42,596	23,978	42,596	23,978	23,978
Total	\$ 4,379,292	51,744	705,595	3,725,441	703,677

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
Bond issue dated May 1, 2003				
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		\$ 1,540,000	126,828	1,666,828

Revenue Bonds Payable

Details of the District's June 30, 2011 revenue bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
Bond issue dated December 1, 2005				
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		\$ 260,000	13,660	273,660

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 \$273,660. For the current year \$117,742 in principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$641,879.

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) Moneys 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 moneys 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 4% and are payable from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness at June 30, 2011 are as follows:

Year Ending June 30,	Capital Loan issue dated June 10, 2010				
	Interest Rates	Principal	Interest	Total	
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		\$ 600,000	76,000	676,000	

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 twenty 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, 2011 totaled \$67,999.

(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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 was \$307,017, \$277,701 and \$312,749, respectively, equal to the required contributions for the year.

(8) Other Postemployment Benefits

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, 2011, 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	(2,745)
Adjustment to annual required contribution	2,329
Annual OPEB cost (expense)	<u>126,584</u>
Contributions made	(189,000)
Increase in net OPEB obligation	<u>(62,416)</u>
Net OPEB obligation - beginning of year	<u>(61,000)</u>
Net OPEB obligation - end of year	<u><u>\$ (123,416)</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, 2011.

For the year ended June 30, 2011, the District contributed \$189,000 to the medical plan. Plan members eligible for benefits contributed \$182,000, or 49.06% 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 127,000	148.03%	\$ (61,000)
2011	126,584	149.31%	(123,416)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$4,117,113, and the ratio of the UAAL to covered payroll was 42.6%. As of June 30, 2011, 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 include 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 a 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 \$373,579 for the year ended June 30, 2011 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 unassigned fund balance of \$232,778.

(12) Budget Overexpenditure

During the year ended June 30, 2011, District expenditures in the support services functional area exceeded the budgeted amounts.

(13) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
At-Risk Programs	\$ 4,176
Returning Dropouts and Dropout Prevention Programs	11,899
Four-year-old Preschool State Aid	19,334
Beginning Teacher Mentoring and Induction Program	1,027
Teacher Salary Supplement	61,394
Professional Development for Model Core Curriculum	11,908
Teacher Development Academies	286
Professional Development	2,250
Total	<u>\$ 112,274</u>

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously stated	\$ 1,504,293	473,963
Change in fund type classification per implementation of GASB Statement No. 54	473,963	(473,963)
Balances July 1, 2010, as restated	<u>\$ 1,978,256</u>	<u>-</u>

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 5,547,357	217,957	5,765,314	5,612,868	5,612,868	152,446
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	4,885,514	3,366	4,888,880	5,476,092	5,476,092	(587,212)
Federal sources	610,937	180,114	791,051	471,910	471,910	319,141
Total revenues	11,043,808	401,437	11,445,245	11,565,870	11,565,870	(120,625)
Expenditures/Expenses:						
Instruction	5,861,478	8,159	5,869,637	5,753,581	6,039,236	169,599
Support services	2,788,484	750	2,789,234	3,030,400	2,600,000	(189,234)
Non-instructional programs	-	383,015	383,015	445,000	400,000	16,985
Other expenditures	1,869,714	-	1,869,714	2,100,255	2,290,000	420,286
Total expenditures/expenses	10,519,676	391,924	10,911,600	11,329,236	11,329,236	417,636
Excess of revenues over expenditures/expenses	524,132	9,513	533,645	236,634	236,634	297,011
Other financing sources, net	-	27,457	27,457	2,550	2,550	24,907
Excess of revenues and other financing sources over expenditures/expenses and other financing uses	524,132	36,970	561,102	239,184	239,184	321,918
Balances beginning of year	1,783,342	122,866	1,906,208	1,322,692	1,322,692	583,516
Balances end of year	\$ 2,307,474	159,836	2,467,310	1,561,876	1,561,876	905,434

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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, 2011, the District had one budget amendment reclassifying expenditures among the functional areas.

During the year ended June 30, 2011, expenditures in the support services functional area exceeded the amounts budgeted.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	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)
2010	July 1, 2009	\$ -	\$ 1,755,000	1,755,000	0.0%	\$ 4,283,923	41.0%
2011	July 1, 2009	-	1,755,000	1,755,000	0.0%	4,117,113	42.6%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Assets					
Cash and pooled investments	\$ 314,883	94,303	409,186	84,163	493,349
Receivables:					
Property tax:					
Delinquent	3,633	-	3,633	7,845	11,478
Succeeding year	200,000	-	200,000	452,460	652,460
Total assets	\$ 518,516	94,303	612,819	544,468	1,157,287
Liabilities and Fund Balances					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 200,000	-	200,000	452,460	652,460
Total liabilities	200,000	-	200,000	452,460	652,460
Fund Balances:					
Restricted for:					
Debt service	-	-	-	92,008	92,008
Management levy purposes	318,516	-	318,516	-	318,516
Student activities	-	94,303	94,303	-	94,303
Total fund balances	318,516	94,303	412,819	92,008	504,827
Total liabilities and fund balances	\$ 518,516	94,303	612,819	544,468	1,157,287

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 229,580	-	229,580	453,658	683,238
Other	135,649	177,141	312,790	160	312,950
State sources	129	-	129	251	380
Federal sources	648	-	648	1,264	1,912
Total revenues	<u>366,006</u>	<u>177,141</u>	<u>543,147</u>	<u>455,333</u>	<u>998,480</u>
Expenditures:					
Current:					
Instruction:					
Regular	189,487	-	189,487	-	189,487
Other	-	178,144	178,144	-	178,144
Support services:					
Administration	-	-	-	900	900
Operation and maintenance of plant	84,774	-	84,774	-	84,774
Transportation	11,219	-	11,219	-	11,219
Other expenditures:					
Long-term debt:					
Principal	-	-	-	595,000	595,000
Interest and fiscal charges	-	-	-	104,567	104,567
Total expenditures	<u>285,480</u>	<u>178,144</u>	<u>463,624</u>	<u>700,467</u>	<u>1,164,091</u>
Excess(deficiency) of revenues over(under) expenditures	80,526	(1,003)	79,523	(245,134)	(165,611)
Other financing sources:					
Transfers in	-	-	-	253,286	253,286
Net change in fund balances	80,526	(1,003)	79,523	8,152	87,675
Fund balances beginning of year, as restated	237,990	95,306	333,296	83,856	417,152
Fund balance end of year	<u>\$ 318,516</u>	<u>94,303</u>	<u>412,819</u>	<u>92,008</u>	<u>504,827</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,353,374	255,599	1,608,973
Receivables:			
Property tax:			
Delinquent	-	15,865	15,865
Succeeding year	-	228,079	228,079
Due from other governments	300,805	-	300,805
Total assets	\$ 1,654,179	499,543	2,153,722
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 13,206	-	13,206
Deferred revenue:			
Succeeding year property tax	-	228,079	228,079
Total liabilities	13,206	228,079	241,285
Fund balances:			
Restricted for:			
School infrastructure	1,640,973	-	1,640,973
Physical plant and equipment	-	271,464	271,464
Total fund balances	1,640,973	271,464	1,912,437
Total liabilities and fund balances	\$ 1,654,179	499,543	2,153,722

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 641,879	228,357	870,236
Other	5,564	62	5,626
State sources	-	121	121
Federal sources	-	609	609
Total revenues	<u>647,443</u>	<u>229,149</u>	<u>876,592</u>
Expenditures:			
Support Services:			
Administration	5,311	5,293	10,604
Operation and maintenance of plant	34,807	15,835	50,642
Transportation	-	11,500	11,500
Other expenditures:			
Facilities acquisitions	358,004	438,564	796,568
Total expenditures	<u>398,122</u>	<u>471,192</u>	<u>869,314</u>
Excess(deficiency) of revenues over(under) expenditures	249,321	(242,043)	7,278
Other financing sources(uses):			
Transfers in	-	180,189	180,189
Transfers out	(112,641)	(140,645)	(253,286)
Total other financing sources(uses)	<u>(112,641)</u>	<u>39,544</u>	<u>(73,097)</u>
Net change in fund balances	136,680	(202,499)	(65,819)
Fund balances beginning of year, as restated	<u>1,504,293</u>	<u>473,963</u>	<u>1,978,256</u>
Fund balances end of year	<u>\$ 1,640,973</u>	<u>271,464</u>	<u>1,912,437</u>

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, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
HS Thespians	\$ 2,144	3,006	2,126	-	3,024
HS Vocal Music	4,458	-	603	-	3,855
MS Vocal Music	5,783	-	104	-	5,679
Elementary Vocal Music	46	-	-	-	46
HS Swing Choir	121	200	38	-	283
HS Band	255	148	90	-	313
MS Band	4,665	-	-	-	4,665
6th Grade Band	80	-	-	-	80
Boys Cross Country	122	233	225	-	130
Girls Cross Country	-	333	175	-	158
Drill Team	751	3,977	4,673	-	55
HS Boys Basketball	4,751	3,827	4,442	-	4,136
HS Football	4,631	9,803	7,047	-	7,387
HS Baseball	817	6,198	7,015	-	-
A&B Cub Baseball	238	-	-	-	238
HS Boys Track	331	1,577	1,707	-	201
MS G/B Track	83	271	315	-	39
Coed Golf	-	904	856	-	48
HS Wrestling	877	4,394	5,271	-	-
HS Girls Basketball	4,108	5,087	4,982	-	4,213
MS Girls Basketball	1	-	-	-	1
HS Volleyball	3,384	5,860	4,727	-	4,517
MS Volleyball	6	173	179	-	-
HS Softball	1,186	4,152	4,541	-	797
MS Softball	11	-	-	-	11
Athletics	645	16,684	16,354	(607)	368
MS Athletics	84	2,253	2,317	607	627
Elementary Activity	446	182	289	-	339
MS Student Activity	764	30	1,346	1,215	663
HS Activity	1,564	214	309	-	1,469
Arrowhead Diner Account	265	16	-	-	281
MS Student Council	1,150	856	1,569	-	437
HS Student Council	2,984	1,335	2,081	-	2,238
MS Jump Rope for Heart	2	448	448	-	2
Annual	1,461	4,430	4,701	-	1,190
5th Grade	125	-	45	-	80
MS Leadership	1,215	-	-	(1,215)	-
Kuhlmann Technology	1,179	-	29	-	1,150
Student Technology	706	-	698	-	8
Technology Projector	120	-	-	-	120
Alumni	111	-	-	-	111
Friends of Rachel	115	138	102	-	151
Dream Program	53	-	22	-	31

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
National Honor Society	312	720	898	-	134
Post Prom	94	-	-	-	94
MoValley Home Page	1,319	1	-	-	1,320
Business Ed.	317	167	122	-	362
Art	376	62	-	-	438
Future Homemakers	1,480	9,417	8,617	-	2,280
Health Occupations	2,795	28,914	27,138	-	4,571
Key Club	473	11,998	11,240	-	1,231
MVHS Pep Club	-	100	50	-	50
Science Club	287	2	100	-	189
Spanish Club	1,528	2	-	-	1,530
Math Club	913	779	602	-	1,090
Class of 2010	745	-	-	(745)	-
Class of 2011	1,792	1,205	2,102	-	895
Class of 2012	348	19,545	17,358	-	2,535
Class of 2013	156	25	-	-	181
Class of 2014	-	-	207	745	538
Social Studies Investments	2,301	104	-	(101)	2,304
Social Studies Students	1,718	-	101	101	1,718
Special Needs	1,985	934	1,050	-	1,869
Activity Fund Investments	260	30	81	-	209
Boys Basketball	1,778	1,917	2,482	-	1,213
Football	5,641	7,710	9,046	-	4,305
Baseball	1,791	5,020	4,089	-	2,722
Boys Track/Cross Country	1,220	2,290	2,134	-	1,376
Girls Basketball	2,747	3,948	4,855	-	1,840
Volleyball	6,659	2,355	1,223	-	7,791
Softball	2,143	362	1,759	-	746
Girls Cross Country	1,344	-	-	-	1,344
MS Cheerleaders	2	-	-	-	2
HS Cheerleaders	944	2,805	3,464	-	285
Total	\$ 95,306	177,141	178,144	-	94,303

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund			
	Vocal Scholarship	Longview Scholarship	Key Club Scholarship	Rand Scholarship
ASSETS				
Cash and pooled investments	\$ 627	298	383	39,361
Total assets	<u>627</u>	<u>298</u>	<u>383</u>	<u>39,361</u>
LIABILITIES	-	-	-	-
NET ASSETS				
Unreserved	627	298	383	6,361
Reserved for scholarships	-	-	-	33,000
Total net assets	<u>\$ 627</u>	<u>298</u>	<u>383</u>	<u>39,361</u>

Private Purpose Trust - Scholarship Fund					
Walsh Scholarship	Jensen Scholarship	McIntosh Scholarship	Thomas Scholarship	Brookhouser Scholarship	Total
41,559	31,186	2,773	6,307	240	122,734
41,559	31,186	2,773	6,307	240	122,734
-	-	-	-	-	-
3,559	31,186	2,773	6,307	240	51,734
38,000	-	-	-	-	71,000
41,559	31,186	2,773	6,307	240	122,734

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, 2011

	Private Purpose Trust - Scholarship Fund			
	Vocal Scholarship	Longview Scholarship	Key Club Scholarship	Rand Scholarship
Additions:				
Local sources:				
Interest	\$ -	-	1	2,876
Contributions	200	-	357	-
	<u>200</u>	<u>-</u>	<u>358</u>	<u>2,876</u>
Deductions:				
Scholarships awarded	<u>-</u>	<u>-</u>	<u>500</u>	<u>750</u>
Changes in net assets	200	-	(142)	2,126
Net assets beginning of year	<u>427</u>	<u>298</u>	<u>525</u>	<u>37,235</u>
Net assets end of year	<u>\$ 627</u>	<u>298</u>	<u>383</u>	<u>39,361</u>

Private Purpose Trust - Scholarship Fund						
Walsh Scholarship	Jensen Scholarship	McIntosh Scholarship	Thomas Scholarship	Brookhouser Scholarship	Total	
285	34	2	7	4	3,209	
-	50	1,000	-	-	1,607	
285	84	1,002	7	4	4,816	
1,200	1,000	500	-	4,000	7,950	
(915)	(916)	502	7	(3,996)	(3,134)	
42,474	32,102	2,271	6,300	4,236	125,868	
41,559	31,186	2,773	6,307	240	122,734	

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, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 8,741	9,391	16,759	1,373
Liabilities				
Due to other groups	\$ 8,741	9,391	16,759	1,373

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 4,683,194	4,029,810	3,911,604	3,590,504	3,563,857	3,293,136	2,567,624	2,749,983
Tuition	271,975	231,738	169,642	180,746	187,568	170,217	173,745	169,566
Other	592,188	504,928	514,006	521,478	626,661	679,339	1,261,196	591,121
State sources	4,885,514	4,397,047	4,857,892	4,573,434	4,337,603	4,219,487	4,125,824	4,118,335
Federal sources	610,937	761,681	295,545	286,018	210,874	280,238	285,265	257,648
Total	\$ 11,043,808	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	\$ 3,554,400	3,526,034	3,666,662	3,451,845	3,066,054	2,919,893	3,114,027	3,058,496
Special	1,082,721	1,012,539	1,148,742	1,146,073	1,085,851	1,063,065	1,197,697	1,227,444
Other	1,224,357	1,300,515	969,973	886,236	1,048,621	1,098,824	785,507	759,754
Support services:								
Student	150,238	169,672	155,837	190,204	182,325	132,436	134,866	161,213
Instructional staff	369,364	417,530	315,230	271,626	271,163	337,026	168,072	187,007
Administration	1,122,685	1,095,628	1,022,919	985,912	906,653	870,944	814,554	794,842
Operation and maintenance of plant	782,484	774,021	986,220	903,724	791,257	822,026	742,073	773,151
Transportation	363,713	412,343	346,895	436,857	328,577	349,093	332,589	264,756
Other expenditures:								
Facilities acquisitions	796,568	456,881	204,021	274,905	1,717,443	847,757	101,128	-
Long-term debt:								
Principal	595,000	480,000	465,000	450,000	440,000	3,470,000	260,000	245,000
Interest and other charges	104,567	94,986	110,014	124,375	136,397	354,517	309,698	323,736
AEA flow-through	373,579	373,644	333,778	301,546	290,839	275,773	274,053	278,766
Total	\$ 10,519,676	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, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 30,877
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	149,237 *
			<u>180,114</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	115,017
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	55,311
			<u>170,328</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 11	35,501
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 11	5,564
STATE FISCAL STABILIZATION FUND CLUSTER:			
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	49,358
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	44,025
			<u>93,383</u>
EDUCATION JOBS FUND	84.410	FY 11	187,548
AREA EDUCATION AGENCY:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	8,681
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 11	47,121
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	52,227
			<u>99,348</u>
TOTAL			<u>\$ 780,467</u>

* Includes \$23,598 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.
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(a professional corporation)
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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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 6, 2012. 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-11, II-B-11 and II-C-11 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, 2011 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.

March 6, 2012

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

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

Compliance

We have audited Missouri Valley Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Missouri Valley Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Missouri Valley Community School District's responses to the 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, and is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

March 6, 2012

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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 84.410 - Education Jobs Fund
 - 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
 - School Nutrition Cluster
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (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.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Purchase Orders - We noted during our audit instances of improper purchase order usage. We noted purchase orders completed after the products had been ordered and others that lacked the proper approval signatures.

Recommendation - The District should review procedures in place and implement the necessary changes so that all disbursements have a pre-numbered purchase order that is approved by the appropriate administrator prior to the ordering of goods and services takes place.

Response - The District will follow the recommendation of auditors.

Conclusion - Response accepted.

II-B-11 Credit Card Fees - We noted that the District paid credit card payments late due to timing of approval of the payment by the Board. The late payment results in additional fees for late payment as well as interest on the balance.

Recommendation - The District may want to consider modifying Board Policy 805.3 Payment of Goods and Services to allow for payments to be paid, upon approval by the Board President, between board meetings to avoid penalties.

Response - The District has taken measures to assure payment of bills, with Board approval, prior to incurring late fees.

Conclusion - Response accepted.

II-C-11 Supporting Documents for Payments- We noted that the District made a payment for football jerseys, however, there was not a supporting invoice or any other documentation to support the payment.

Recommendation - No check should be drawn on District funds without an approved invoice or supporting documentation. The District should review its procedures to ensure that all payments made have supporting documentation to support the purchase.

Response - The District will follow the recommendation of auditors.

Conclusion - Response accepted.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, exceeded the amounts budgeted in the support services functional area.

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

Response - The District will follow the recommendation of auditors and try to better estimate final expenditures before exceeding budgeted amounts.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - We noted during our audit expenditures for savings bonds from the Science Club account within the Student Activity Fund to be used for prizes. Savings bonds would be considered cash equivalents and, therefore, would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing cash equivalents to be used for student prizes or incentives.

Response - The District will follow the recommendation of auditors.

Conclusion - Response accepted.

IV-C-11 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. However, we noted an instance of travel expenses incurred on a District credit card that were not accompanied by detailed receipts to be used as supporting documentation.

Recommendation - Board policy 805.6 requires employees to provide a detailed receipt for travel expenses and further dictates that failure to provide a detailed receipt makes the expense a personal expense. The District should review Board Policy 805.6 with employees to ensure that detailed receipts for all reimbursable expenses are attached for supporting documentation. The District accounting personnel should follow the policy if adequate documentation is not provided.

Response - The District will follow the recommendation of auditors.

Conclusion - Response accepted.

IV-D-11 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	\$ 28
Jim Hornbeck, Coach Owns CJ Futures Inc.	Purchased service	\$ 12,028
Carol Rodewald, Food Service Director Own's Carol's Catering	Purchased service	\$ 144
Joyce Lehman, Substitute Husband owns Lehman's Printing	Purchased service	\$ 3,707
Sara Guinan, Teacher Husband owns Guinan Heating & Cooling	Supplies & services	\$ 167

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of Mr. Zaiser, Mrs. Lehman and Mrs. Guinan do 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.

IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted variances in the basic enrollment data certified to the Department of Education. The total number of students certified was overstated by 4.4 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,504,293
Revenues:		
Sales tax revenues	\$ 641,879	
Other local revenues	5,564	647,443
	<u> </u>	<u>2,151,736</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 231,114	
Equipment	64,050	
Other	102,958	
Transfers to other funds:		
Debt service fund	112,641	510,763
	<u> </u>	<u> </u>
Ending Balance		\$ <u>1,640,973</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Financial Condition - At June 30, 2011, the General Fund had a deficit unassigned fund balance of \$232,778.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit balance.

Response - The District will follow the recommendation of auditors.

Conclusion - Response accepted.

IV-N-11 Checks Outstanding - We noted during our audit that the District had checks included in the General Fund and Nutrition Fund bank reconciliations that have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will follow the recommendation of auditors.

Conclusion - Response accepted.

IV-O-11 Scholarships - We noted that the District transferred money from 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. We also noted a scholarship award paid directly from the HS Student Council account in the Student Activity Fund.

Recommendation - The District should deposit the fundraised money into the fund where it can be legally paid. The fundraiser revenue should be recorded directly into the Private Purpose Trust Fund. Any scholarship awards should also be paid from the Private Purpose Trust Fund.

Response - The District will follow the recommendation of auditors.

Conclusion - Response accepted.

IV-P-11 Donations to Outside Organizations - We noted in previous audits that the funds reported in the Agency Fund did not meet the criteria of an outside organization, rather they were District funds and should have been transferred to the appropriate fund within the School District. We noted that the District closed out one of these accounts, the Coaches Fund, by cutting a check to the MV Coaches Association, an outside organization. Iowa Administrative rule 98.70(3) outlines inappropriate uses of student activity money and subsection (D) specifically prohibits payments to any outside organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified.

Recommendation - This would appear to be an illegal payment and the District should request the money back from the organization.

Response - The District has followed the recommendation of auditors, and a large portion of the payment has been reimbursed by the organization as of this printing. The balance will be repaid as soon as possible.

Conclusion - Response accepted.