

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses, and Changes in Net Assets	H	23
Statement of Cash Flows	I	24
Notes to Financial Statements		25-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		35
Budget to GAAP Reconciliation		36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	33
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	40
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	41-42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	43
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		44-45
Schedule of Findings		46-48



## BASIC FINANCIAL STATEMENTS

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	545,405	-	545,405
Other	2,726,629	16,457	2,743,086
Receivables:			
Property tax:			
Delinquent	24,816	-	24,816
Succeeding year	2,003,701	-	2,003,701
Accounts	1,610	2,088	3,698
Accrued interest:			
ISCAP	194	-	194
Due from other governments	454,208	-	454,208
Inventories	-	2,532	2,532
Capital assets, net of accumulated depreciation	2,599,384	16,008	2,615,392
<b>Total assets</b>	<b>8,355,947</b>	<b>37,085</b>	<b>8,393,032</b>
<b>Liabilities</b>			
Accounts payable	45,805	23	45,828
Salaries and benefits payable	503,524	3,365	506,889
Due to other governments	38,568		38,568
Deferred revenue:			
Succeeding year property tax	2,003,701	-	2,003,701
Other	-	2,349	2,349
ISCAP warrants payable	543,000	-	543,000
ISCAP accrued interest payable	104	-	104
ISCAP premium	7,292	-	7,292
<b>Total liabilities</b>	<b>3,141,994</b>	<b>5,737</b>	<b>3,147,731</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,599,384	16,008	2,615,392
Restricted for:			
Management levy	215,664	-	215,664
Capital Outlay	1,534,585	-	1,534,585
Other special revenue purposes	57,467	-	57,467
Unrestricted	806,853	15,340	822,193
<b>Total net assets</b>	<b>5,213,953</b>	<b>31,348</b>	<b>5,245,301</b>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	2,551,730	79,435	398,625	-
Special instruction	883,740	64,285	91,329	-
Other instruction	615,275	223,406	15,760	-
	<u>4,050,745</u>	<u>367,126</u>	<u>505,714</u>	<u>-</u>
Support services:				
Student services	190,846	-	-	-
Instructional staff services	63,720	-	-	-
Administration services	586,972	-	-	-
Operation and maintenance of plant services	417,548	265	-	-
Transportation services	277,772	-	432	-
	<u>1,536,858</u>	<u>265</u>	<u>432</u>	<u>-</u>
Non-instructional programs	1,400	-	-	-
Other expenditures:				
Facilities acquisition	115,785	-	-	-
AEA flowthrough	199,961	-	199,961	-
Depreciation (unallocated)*	99,568	-	-	-
	<u>415,314</u>	<u>-</u>	<u>199,961</u>	<u>-</u>
Total governmental activities	6,004,317	367,391	706,107	-
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	293,718	167,163	105,926	-
Total	<u>6,298,035</u>	<u>534,554</u>	<u>812,033</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,073,670)	-	(2,073,670)
(728,126)	-	(728,126)
(376,109)	-	(376,109)
<u>(3,177,905)</u>	<u>-</u>	<u>(3,177,905)</u>
(190,846)	-	(190,846)
(63,720)	-	(63,720)
(586,972)	-	(586,972)
(417,283)	-	(417,283)
(277,340)	-	(277,340)
<u>(1,536,161)</u>	<u>-</u>	<u>(1,536,161)</u>
(1,400)	-	(1,400)
(115,785)	-	(115,785)
-	-	-
(99,568)	-	(99,568)
<u>(215,353)</u>	<u>-</u>	<u>(215,353)</u>
(4,930,819)	-	(4,930,819)
-	(20,629)	(20,629)
<u>(4,930,819)</u>	<u>(20,629)</u>	<u>(4,951,448)</u>
1,895,250	-	1,895,250
70,174	-	70,174
266,658	-	266,658
508,225	-	508,225
2,428,129	-	2,428,129
42,214	358	42,572
7,358	-	7,358
<u>5,218,008</u>	<u>358</u>	<u>5,218,366</u>
(9,597)	9,597	-
<u>5,208,411</u>	<u>9,955</u>	<u>5,218,366</u>
277,592	(10,674)	266,918
<u>4,936,361</u>	<u>42,022</u>	<u>4,978,383</u>
<u>5,213,953</u>	<u>31,348</u>	<u>5,245,301</u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2005

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				-
ISCAP	545,405	-	-	545,405
Other	1,020,517	1,299,326	404,188	2,724,031
Receivables:				
Property tax:				
Delinquent	23,383	-	1,433	24,816
Succeeding year	1,843,669	-	160,032	2,003,701
Accounts	350	-	1,260	1,610
Accrued interest - ISCAP	194	-	-	194
Accrued interest - other		-	-	-
Interfund receivable	391	-	39,393	39,784
Due from other governments	375,228	78,980	-	454,208
<b>Total assets</b>	<b>3,809,137</b>	<b>1,378,306</b>	<b>606,306</b>	<b>5,793,749</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	29,332	-	16,473	45,805
Salaries and benefits payable	503,524	-	-	503,524
Due to other governments	38,568	-	-	38,568
Interfund payable	39,393	-	391	39,784
ISCAP warrants payable	543,000	-	-	543,000
ISCAP interest payable	104	-	-	104
ISCAP premium	7,292	-	-	7,292
Deferred revenue:				
Succeeding year property tax	1,843,669	-	160,032	2,003,701
Other	275,490	-	-	275,490
Total liabilities	<u>3,280,372</u>	<u>-</u>	<u>176,896</u>	<u>3,457,268</u>
Fund balances:				
Unreserved reported in:				
General fund	528,765	-	-	528,765
Special revenue funds	-	-	429,410	429,410
Capital projects funds	-	1,378,306	-	1,378,306
Total fund balances	<u>528,765</u>	<u>1,378,306</u>	<u>429,410</u>	<u>2,336,481</u>
<b>Total liabilities and fund balances</b>	<b><u>3,809,137</u></b>	<b><u>1,378,306</u></b>	<b><u>606,306</u></b>	<b><u>5,793,749</u></b>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2005

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,336,481
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,599,384
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	275,490
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	<u>2,598</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>5,213,953</u></u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2005

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,101,218	508,225	120,224	2,729,667
Tuition	113,448	-	-	113,448
Other	50,877	16,952	228,328	296,157
State sources	2,990,315	-	-	2,990,315
Federal sources	143,921	-	-	143,921
Total revenues	<u>5,399,779</u>	<u>525,177</u>	<u>348,552</u>	<u>6,273,508</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,455,492	-	89,936	2,545,428
Special instruction	883,740	-	-	883,740
Other instruction	399,423	-	222,766	622,189
	<u>3,738,655</u>	<u>-</u>	<u>312,702</u>	<u>4,051,357</u>
Support services:				
Student services	190,846	-	-	190,846
Instructional staff services	63,720	-	-	63,720
Administration services	586,972	-	-	586,972
Operation and maintenance of plant services	442,387	-	-	442,387
Transportation services	271,719	-	-	271,719
	<u>1,555,644</u>	<u>-</u>	<u>-</u>	<u>1,555,644</u>
Non-instructional programs	<u>1,400</u>	<u>-</u>	<u>9,597</u>	<u>10,997</u>
Other expenditures:				
Facilities acquisition	-	-	115,785	115,785
AEA flowthrough	199,961	-	-	199,961
	<u>199,961</u>	<u>-</u>	<u>115,785</u>	<u>315,746</u>
Total expenditures	<u>5,495,660</u>	<u>-</u>	<u>438,084</u>	<u>5,933,744</u>
Excess (deficiency) of revenues over (under) expenditures	(95,881)	525,177	(89,532)	339,764
Other financing sources (uses):				
Sales of materials and equipment	7,358	-	-	7,358
Net change in fund balances	(88,523)	525,177	(89,532)	347,122
Fund balances beginning of year	617,288	853,129	518,942	1,989,359
Fund balances end of year	<u>528,765</u>	<u>1,378,306</u>	<u>429,410</u>	<u>2,336,481</u>

## RIVERSIDE 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, 2005

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		347,122
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	89,686	
Depreciation expense	<u>(169,410)</u>	(79,724)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		10,640
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(446)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>277,592</u></u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	16,457	2,598
Accounts receivable	2,088	-
Inventories	2,532	-
Capital assets, net of accumulated depreciation	16,008	-
<b>Total assets</b>	<u>37,085</u>	<u>2,598</u>
<b>Liabilities</b>		
Accounts payable	23	-
Salaries and benefits payable	3,365	-
Deferred revenue	2,349	-
<b>Total liabilities</b>	<u>5,737</u>	<u>-</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	16,008	-
Unrestricted	15,340	2,598
<b>Total net assets</b>	<u><u>31,348</u></u>	<u><u>2,598</u></u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2005

	Enterprise Fund Nonmajor School Nutrition <u>          </u> \$	Governmental Activities - Internal Service Fund <u>          </u> \$
Operating revenue:		
Local sources:		
Charges for service	167,163	32,200
Operating expenses:		
Non-instructional programs:		
Salaries	95,903	-
Benefits	41,647	-
Purchased services	1,956	-
Supplies	150,269	-
Depreciation	3,943	-
Other	-	32,646
	<u>293,718</u>	<u>32,646</u>
Operating gain (loss)	<u>(126,555)</u>	<u>(446)</u>
Non-operating revenue:		
State sources	3,743	-
Federal sources	102,183	-
Interest income	358	-
Total non-operating revenue	<u>106,284</u>	<u>-</u>
Gain (loss) before contributions	(20,271)	(446)
Capital contributions	<u>9,597</u>	<u>-</u>
Change in net assets	(10,674)	(446)
Net assets beginning of year	<u>42,022</u>	<u>3,044</u>
Net assets end of year	<u><u>31,348</u></u>	<u><u>2,598</u></u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Enterprise Fund School Nutrition \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	168,704	32,200
Cash payments to employees for services	(143,336)	-
Cash payments to suppliers for goods or services	(118,954)	(32,646)
Net cash used by operating activities	<u>(93,586)</u>	<u>(446)</u>
Cash flows from non-capital financing activities:		
State grants received	3,743	-
Federal grants received	80,741	-
Net cash provided by non-capital financing activities	<u>84,484</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,054)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>358</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(9,798)	(446)
Cash and cash equivalents at beginning of year	<u>26,255</u>	<u>3,044</u>
Cash and cash equivalents at end of year	<u>16,457</u>	<u>2,598</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(126,555)	(446)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	21,442	-
Depreciation	3,943	-
Decrease (increase) in inventories	12,867	-
Decrease (increase) in accounts receivable	207	-
(Decrease) increase in accounts payable	(1,037)	-
(Decrease) increase in salaries and benefits payable	(5,787)	-
(Decrease) increase in deferred revenue	1,334	-
Net cash used in operating activities	<u>(93,586)</u>	<u>(446)</u>

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

During the year ended June 30, 2005, the District received \$21,442 of federal commodities.

During the year ended June 30, 2005, the School Nutrition Fund received \$9,597 of equipment that was purchased by other District Funds.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
<b>Receipts:</b>						
Local sources	3,148,206	169,062	3,317,268	3,333,603	3,333,603	(16,335)
State sources	2,878,920	3,743	2,882,663	2,927,233	2,927,233	(44,570)
Federal sources	231,175	102,183	333,358	255,000	255,000	78,358
Total receipts	<u>6,258,301</u>	<u>274,988</u>	<u>6,533,289</u>	<u>6,515,836</u>	<u>6,515,836</u>	<u>17,453</u>
<b>Disbursements:</b>						
Instruction	4,090,844	-	4,090,844	4,764,489	4,764,489	673,645
Support services	1,552,101	-	1,552,101	2,185,300	2,185,300	633,199
Non-instructional programs	10,997	284,786	295,783	403,083	403,083	107,300
Other expenditures	315,746	-	315,746	1,117,099	1,117,099	801,353
Total disbursements	<u>5,969,688</u>	<u>284,786</u>	<u>6,254,474</u>	<u>8,469,971</u>	<u>8,469,971</u>	<u>2,215,497</u>
Excess (deficiency) of receipts over (under) disbursements	288,613	(9,798)	278,815	(1,954,135)	(1,954,135)	2,232,950
Other financing sources (uses) net	<u>7,358</u>	<u>-</u>	<u>7,358</u>	<u>1,000</u>	<u>1,000</u>	<u>6,358</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	295,971	(9,798)	286,173	(1,953,135)	(1,953,135)	2,239,308
Balance beginning of year	<u>2,428,060</u>	<u>26,255</u>	<u>2,454,315</u>	<u>2,095,703</u>	<u>2,095,703</u>	<u>358,612</u>
Balance end of year	<u><u>2,724,031</u></u>	<u><u>16,457</u></u>	<u><u>2,740,488</u></u>	<u><u>142,568</u></u>	<u><u>142,568</u></u>	<u><u>2,597,920</u></u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	6,258,301	15,207	6,273,508
Expenditures	5,969,688	(35,944)	5,933,744
Net	288,613	51,151	339,764
Other financing sources (uses) net	7,358	-	7,358
Beginning fund balances	2,428,060	(438,701)	1,989,359
Ending fund balances	2,724,031	(387,550)	2,336,481

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	274,988	(1,541)	273,447
Expenditures	284,786	8,932	293,718
Net	(9,798)	(10,473)	(20,271)
Other financing sources (uses) net	-	9,597	9,597
Beginning fund balances	26,255	15,767	42,022
Ending fund balances	16,457	14,891	31,348

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the 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, the District did not amend the budget.

OTHER SUPPLEMENTARY INFORMATION

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Cash and pooled investments	197,124	67,811	139,253	404,188
Receivables:				
Property tax:				
Delinquent	634	-	799	1,433
Succeeding year	90,000	-	70,032	160,032
Accounts	-	1,260	-	1,260
Interfund receivable	17,906	-	21,487	39,393
<b>Total assets</b>	<b>305,664</b>	<b>69,071</b>	<b>231,571</b>	<b>606,306</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	11,213	5,260	16,473
Interfund payables	-	391	-	391
Deferred revenue:				
Succeeding year property tax	90,000	-	70,032	160,032
Total liabilities	90,000	11,604	75,292	176,896
Fund balances:				
Unreserved reported in:				
Special revenue funds	215,664	57,467	156,279	429,410
<b>Total liabilities and fund balances</b>	<b>305,664</b>	<b>69,071</b>	<b>231,571</b>	<b>606,306</b>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2005

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Equipment		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	50,050	-	70,174	120,224
Other	2,572	223,406	2,350	228,328
Total revenues	<u>52,622</u>	<u>223,406</u>	<u>72,524</u>	<u>348,552</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	89,936	-	-	89,936
Other instruction	-	222,766	-	222,766
Non-instructional programs	-	-	9,597	9,597
Other expenditures:				
Facilities acquisition	-	-	115,785	115,785
Total expenditures	<u>89,936</u>	<u>222,766</u>	<u>125,382</u>	<u>438,084</u>
Net change in fund balances	(37,314)	640	(52,858)	(89,532)
Fund balances beginning of year	<u>252,978</u>	<u>56,827</u>	<u>209,137</u>	<u>518,942</u>
Fund balances end of year	<u><u>215,664</u></u>	<u><u>57,467</u></u>	<u><u>156,279</u></u>	<u><u>429,410</u></u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
5th grade project	1,120	1,040	1,022	1,138
Baseball camp	-	480	-	480
Dance team	2,588	5,451	6,744	1,295
FFA	3,300	8,334	8,191	3,443
US West-Rold	20	-	-	20
1st grade-US West	154	-	-	154
MS student activities	5,075	21,229	24,388	1,916
Middle school library	982	1,578	1,668	892
FCCLA	486	5,221	4,970	737
ITAG grant	5	-	-	5
6th grade opera	499	-	316	183
Annual	3,558	6,810	4,522	5,846
Volleyball camp	877	829	1,403	303
Athletics	-	43,442	57,214	(13,772)
Band	6,398	3,400	2,452	7,346
Cheerleaders	3,627	3,080	3,852	2,855
HS pop fund	6,407	11,542	11,197	6,752
Class of 2005	1,884	2,954	3,924	914
DC trip	6,322	29,895	23,754	12,463
Basketball camp	63	-	-	63
Class of 2006	582	6,578	4,032	3,128
Inter't club	81	-	-	81
Day care	(115)	8,599	305	8,179
Student needs	2,596	2,124	1,692	3,028
JH band festival	-	1,397	1,026	371
MS student council	2,061	17,527	14,846	4,742
Library	175	-	-	175
North book fair	2,444	9,431	8,846	3,029
Preschool snack	7	360	390	(23)
R club	196	857	343	710
HS recognition area	1,340	-	85	1,255
Spring play	54	-	-	54
Bulldog enterprises	96	247	-	343
Special ed. needs	427	270	34	663
8th grade team	264	2,884	1,871	1,277
Softball clinic	1,335	-	-	1,335
Speech	556	-	39	517
HS student council	879	2,221	2,007	1,093
Wrestling cheerleader	1	-	1	-
Girls basketball camp	1,438	-	515	923

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
PC TAG camp	(2,642)	16,074	14,689	(1,257)
Vocal	738	367	621	484
Jump rope for heart	517	-	1	516
Art club	25	719	580	164
class 1999	-	200	-	200
Drama	936	-	936	-
7th grade team	258	1,357	1,982	(367)
6th grade team	951	1,000	522	1,429
Outdoor classroom	128	-	-	128
MS vocal festival	721	3,188	3,341	568
Musical	326	2,335	2,403	258
Class of 2007	467	952	35	1,384
Beginning accruals	(3,380)	(1,826)	(5,206)	-
Ending accruals	-	1,260	11,213	(9,953)
	<u>56,827</u>	<u>223,406</u>	<u>222,766</u>	<u>57,467</u>
Total	<u>56,827</u>	<u>223,406</u>	<u>222,766</u>	<u>57,467</u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,729,667	3,312,609	3,202,551	2,558,502
Tuition	113,448	106,633	99,864	110,681
Other	296,157	129,520	113,020	371,455
State sources	2,990,315	2,628,875	2,614,564	2,559,331
Federal sources	143,921	307,735	154,128	151,438
Total revenues	<u>6,273,508</u>	<u>6,485,372</u>	<u>6,184,127</u>	<u>5,751,407</u>
Expenditures:				
Instruction:				
Regular instruction	2,545,428	2,555,949	2,485,412	2,669,151
Special instruction	883,740	874,088	775,009	703,096
Other instruction	622,189	597,986	517,643	544,765
Support services:				
Student services	190,846	190,605	190,700	182,496
Instructional staff services	63,720	68,203	76,897	108,795
Administration services	586,972	548,702	528,546	511,818
Operation and maintenance of plant services	442,387	406,226	325,644	372,277
Transportation services	271,719	298,369	347,073	320,504
Non-instructional programs	10,997	1,468	-	-
Other expenditures:				
Facilities acquisition	115,785	178,617	101,177	242,805
Long-term debt:				
Principal	-	7,977	15,349	14,575
Interest and other charges	-	209	1,024	1,798
AEA flowthrough	199,961	201,024	214,659	216,200
Total expenditures	<u>5,933,744</u>	<u>5,929,423</u>	<u>5,579,133</u>	<u>5,888,280</u>

RIVERSIDE

Adjustments from Modified Accrual to Full Accrual

June 30, 2005

	Exhibits C and E \$	Prior year District Wide Adj. To Net Assets - Debit (Credit)* \$	AJE from Exhibit E to Exhibit B		Exhibit B Total \$
			Debit \$	Credit \$	
<b>Assets</b>					
Cash and cash equivalents:					
ISCAP	545,405				545,405
Other	2,724,031	3044		446	2,726,629
Receivables:					
Property tax:					
Delinquent	24,816				24,816
Succeeding year	2,003,701				2,003,701
Accounts	1,610				1,610
Accrued interest:					-
ISCAP	194				194
Other					-
Due from other governments	454,208				454,208
Interfund Receivable	39,784			39784	-
Inventories					-
Capital assets, net of accumulated depreciation		2679108	89686	169410	2,599,384
<b>Total assets</b>	<b>5,793,749</b>	<b>2,682,152</b>			<b>8,355,947</b>
<b>Liabilities</b>					
Accounts payable	45,805				45,805
Salaries and benefits payable	503,524				503,524
Due to other governments	38,568				38,568
Interfund Payable	39,784		39784		-
Accrued interest payable		0			-
Deferred revenue:					-
Succeeding year property tax	2,003,701				2,003,701
Other	275,490	-264850	10640		-
ISCAP warrants payable	543,000				543,000
ISCAP interest payable	104				104
ISCAP premium	7,292				7,292
Long-term liabilities:					-
Bonds payable		0			-
Notes payable		0			-
Capital leases		0			-
Early retirement		0			-
Compensated absences		0			-
<b>Total Liabilities</b>	<b>3,457,268</b>	<b>(264,850)</b>			<b>3,141,994</b>
<b>Net assets</b>	<b>2,336,481</b>	<b>2,947,002</b>			<b>5,213,953</b>

RIVERSIDE

Adjustments from Modified Accrual to Full Accrual

June 30, 2005

	Exhibits C and E	Prior year District Wide Adj. To Net Assets - Debit (Credit) *	AJE from Exhibit E to Exhibit B		Exhibit B Total
			Debit	Credit	
<b>Revenues:</b>					
<b>Local sources:</b>					
Local tax	2,729,667			10,640	2,740,307
Tuition	113,448				113,448
Other	296,157				296,157
<b>Intermediate sources</b>					
State sources	2,990,315				2,990,315
Federal sources	143,921				143,921
<b>Total revenues</b>	<b>6,273,508</b>				<b>6,284,148</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	2,545,428		11,390	5,088	2,551,730
Special instruction	883,740				883,740
Other instruction	622,189		446	7,360	615,275
	<u>4,051,357</u>				<u>4,050,745</u>
<b>Support services:</b>					
Student services	190,846				190,846
Instructional staff services	63,720				63,720
Administration services	586,972				586,972
Operation and maintenance of plant services	442,387			24,839	417,548
Transportation services	271,719		58,452	52,399	277,772
	<u>1,555,644</u>				<u>1,536,858</u>
<b>Non-instructional programs</b>	<b>1,400</b>				<b>1,400</b>
<b>Other expenditures:</b>					
Facilities acquisition	115,785				115,785
Unallocated depreciation			99,568		99,568
<b>Long-term debt:</b>					
Principal	-				-
Interest and fiscal charges	-				-
AEA flowthrough	199,961				199,961
	<u>315,746</u>				<u>415,314</u>
<b>Total expenditures</b>	<b>5,924,147</b>				<b>6,004,317</b>
<b>Excess (deficiency) of revenues over (under) expe</b>	<b>349,361</b>				<b>279,831</b>
<b>Other financing sources (uses):</b>					
Compensation for loss of fixed assets					-
Proceeds form long-term loans					-
Bonds issued					-
Refunding bonds issued					-
Bond premium					-
Bond discount					-
Payment to bond escrow agent					-
Sale of materials and equipment	7,358				7,358
Operating transfers in					-
Operating transfers out	(9,597)				(9,597)
<b>Total other financing sources (uses)</b>	<b>(2,239)</b>				<b>(2,239)</b>
<b>Net changes in fund balances</b>	<b>347,122</b>				<b>277,592</b>
<b>Fund balances beginning of year, as restated</b>	<b>1,989,359</b>	<b>2,947,002</b>			<b>4,936,361</b>

RIVERSIDE

Adjustments from Modified Accrual to Full Accrual

June 30, 2005

	Exhibits C and E	Prior year District Wide Adj. To Net Assets - Debit (Credit) *	AJE from Exhibit E to Exhibit B		Exhibit B Total
			Debit	Credit	
Fund balances end of yea	<u>2,336,481</u>		<u>309,966</u>	<u>309,966</u>	<u>5,213,953</u>

RIVERSIDE

Adjustments from Modified Accrual to Full Accrual

June 30, 2005

	Exhibits C and E	Prior year	AJE from Exhibit E to		Exhibit B Total
		District Wide	Exhibit B		
		Adj. To Net	Debit	Credit	
		Assets - Debit			
		(Credit)*			

\* Complete this column to adjust Exhibit C balances for prior year District-wide adjustments.  
(exclude prior year internal service fund adjustments)

Adjusting entries from modified accrual to full accrual

Depr Exp - reg. Instr		x	11,390		
Depr Exp - transp		x	58,452		
Depr Exp - unallocated		x	99,568		
Net capital assets				169,410	x
to record depreciation expense					
Cap outlay - reg instr				5,088	x
Cap outlay - sp instr					
Cap outlay - other instr				7,360	x
Cap outlay - op & maint				24,839	x
Cap outlay - transp				52,399	x
Cap outlay - fac acq					
Net capital assets		x	89,686	-	
to remove the cost of depreciable assets from expenses					
Income surtax revenue				10640	x
Deferred revenue		x	10640		
to adjust income surtax revenue for full accrual basis					
Interfund Receivable				39784	
Interfund Payable			39784		
To remove the interfund rec/pay					
Cash Other				446	x
Other Instruction		x	446		
To enter internal service					
			309,966	309,966	

RIVERSIDE

Allocation of Revenues for Exhibit B

	Amounts from CAR							Total (should equal Exhibit E)	Adjustments to full accrual	Total Revenues for Exhibit B	Type of Revenue for Exhibit B	Expense classification
	General	Manage	Activity	PPEL	PERL	DS	Cap Proj					
Revenues:												
Local sources:												
Local tax:												
Property tax	1,845,200	50,050		70,174				1,965,424		1,965,424	general	n/a
Income surtax	256,018							256,018	10,640	266,658	general	n/a
Local option sales and services tax						508,225		508,225		508,225	general	n/a
	<u>2,101,218</u>	<u>50,050</u>	<u>-</u>	<u>70,174</u>	<u>-</u>	<u>508,225</u>	<u>-</u>	<u>2,729,667</u>		<u>2,740,307</u>		
Other local sources:												
Open enrollment, reg	49,163							49,163		49,163	charges for services	reg inst
Open enrollment spe	64,285							64,285		64,285	charges for services	sp inst
Interest on investme	20,873	2,572		1,817		16,952		42,214		42,214	general	n/a
Student activities			223,406					223,406		223,406	charges for services	other inst
Rentals	265							265		265	charges for services	op and maint
Textbook rents	19,361							19,361		19,361	charges for services	reg inst
Other local revenue	10,378			533				10,911		10,911	charges for services	reg inst
	<u>164,325</u>	<u>2,572</u>	<u>223,406</u>	<u>2,350</u>	<u>-</u>	<u>16,952</u>	<u>-</u>	<u>409,605</u>		<u>409,605</u>		
Total local revenue	<u>2,265,543</u>	<u>52,622</u>	<u>223,406</u>	<u>72,524</u>	<u>-</u>	<u>525,177</u>	<u>-</u>	<u>3,139,272</u>		<u>3,149,912</u>		
Intermediate sources								-		-	operating grant	
State sources:												
State foundation aid	2,406,217							2,406,217		2,406,217	general	n/a
Instructional support stat	21,912							21,912		21,912	general	n/a
Educational excellence programs:								-		-		
Phase I	70,793							70,793		70,793	operating grants	reg instr
Phase II	57,177							57,177		57,177	operating grants	reg instr
AEA flow-through	199,961							199,961		199,961	operating grants	aea flowthrough
Transportation aid for no	432							432		432	operating grants	transp
At risk program grants	10,903							10,903		10,903	operating grants	
Vocational aid	10,757							10,757		10,757	operating grants	other instr
School improvement anc	1,183							1,183		1,183	operating grants	
Iowa early intervention b	31,008							31,008		31,008	operating grants	reg instr
Beginning teacher ment	69,009							69,009		69,009	operating grants	reg instr
Wrap around child care	30,000							30,000		30,000		
Iowa (????)	80,963							80,963		80,963		
	<u>2,990,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,990,315</u>		<u>2,990,315</u>		
Federal sources:												
Innovative education pro	2,471							2,471		2,471	operating	reg instr
Title I	57,568							57,568		57,568	operating	sp instr
Special education grants	33,761							33,761		33,761	operating	sp instr
Carl D. Perkins vocation:	5,003							5,003		5,003	operating	other instr
Medicaid reimbursement	7,118							7,118		7,118	operating	
Success 4	5,000							5,000		5,000		
Federal teacher quality	33,000							33,000		33,000		
	<u>143,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,921</u>		<u>143,921</u>		
Total revenue	5,399,779	52,622	223,406	72,524	-	525,177	-	6,273,508		6,284,148		
Sale of equipment	7,358							7,358		7,358	general	n/a
Operating transfers out	(9,597)							(9,597)		(9,597)	transfers	n/a
Total	5,397,540	52,622	223,406	72,524	-	525,177	-	6,271,269	-	6,281,909		

RIVERSIDE COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Fund

Year ended June 30, 2005

	Balance Beginning of Year		Additions		Deductions		Balance End of Year	
	2004	2005	2004	2005	2004	2005	2004	2005
	\$		\$		\$		\$	
<b>Assets</b>								
Cash		-					-	-
Due form other governments		-					-	-
Total assets	-	-	-	-	-	-	-	-
<b>Liabilities</b>								
Accounts payable		-				-	-	-
Due to other governments							-	-
Total liabilities	-	-	-	-	-	-	-	-

(May use save format as last year, consider combining columns for insignificant items.)

RIVERSIDE COMMUNITY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
			\$
Direct:			
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY04	
School Breakfast Program	10.553	FY04	-
Food Distribution (Non-cash)	10.550	FY04	
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	XXXX-G-04	
Improving Teacher Quality State Grants	84.367	FY04	
Grants for State Assessments and Related Activities	84.369	FY04	
Technology Literacy Challenge Fund Grants	84.318	FY04	
State Grants for Innovative Programs (formerly Title V)	84.298	FY04	
Safe & Drug Free Schools and Communities - State Grant	84.186	FY04	
Special Education Grants to State (Success 4)	84.027	FY03	
Vocational Education - Basic Grants to States	84.048	FY04	
Area Education Agency XI:			
Title I Accountability Grants	84.348	FY04	
Eisenhower Professional Development - State Grants	84.281	FY04	
Special Education Grants to States	84.027	FY04	
Waukee Community School District:			
Vocational Education - Basic Grants to States	84.048	FY04	
Iowa Public Television:			
Star Schools	84.203	FY04	-
Total			-

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of XXXXXXXXX Community School District and is presented on 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 Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship		Agency	
	2004	\$ 2005	2004	\$ 2005
<b>Assets</b>				
Cash and pooled investments			-	-
Accrued interest receivable				
Due from other governments		-		
<b>Total Assets</b>	-	-	-	-
<b>Liabilities</b>				
Liabilities:				
Accounts payable	-	-	-	-
Due to other governments				
Other payables	-	-		
<b>Total liabilities</b>	-	-	-	-
<b>Net Assets</b>				
Reserved for scholarships	-	-		
Unreserved	-	-		
<b>Total net assets</b>	-	-		

Combining schedules are not required, but may want to consider including if there are material trust funds

RIVERSIDE COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2005

	<u>Private Purpose Trust Scholarship</u>	
	\$	
	2004	2005
Additions:		
Local sources:		
Gifts and contributions		
Interest		
Total additions	-	-
Deductions:		
Support services:		
Scholarships awarded		
Change in net assets	-	-
Net assets beginning of year		
Net assets end of year	-	-

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Independent Auditor's Report

To the Board of Education of  
Riverside 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 Riverside Community School District, Carson, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Riverside Community School District as of June 30, 2005, 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 August 16, 2005, on our consideration of Riverside Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 on pages 4 through 13 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. 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 Riverside 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, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

August 16, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Riverside 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,351,706 in fiscal 2004 to \$5,399,779 in fiscal 2005, while General Fund expenditures increased from \$5,405,714 in fiscal 2004 to \$5,495,660 in fiscal 2005. The District's General Fund balance decreased from \$617,288 in fiscal 2004 to \$528,765 in fiscal 2005, a 14% decrease.
- The increase in General Fund revenues was attributable to an increase state revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sample 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 Sample 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 Sample Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

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

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

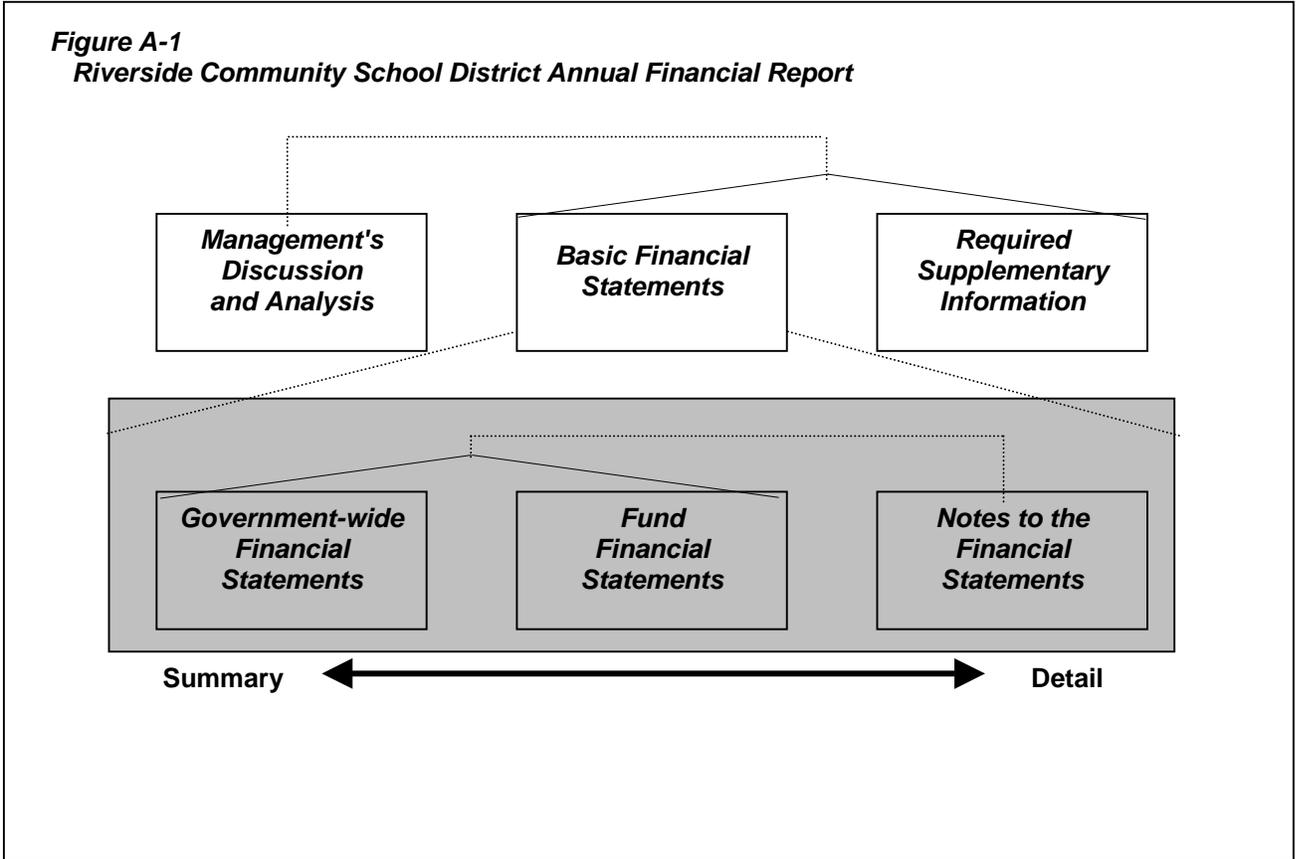


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District has one internal service fund used to account for the District's employee flexible benefit plan.

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

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, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,756,563	5,271,126	21,077	43,949	5,777,640	5,315,075	9%
Capital assets	2,599,384	2,679,108	16,008	9,300	2,615,392	2,688,408	-3%
<b>Total assets</b>	<b>8,355,947</b>	<b>7,950,234</b>	<b>37,085</b>	<b>53,249</b>	<b>8,393,032</b>	<b>8,003,483</b>	<b>5%</b>
Long-term liabilities	-	-	-	-	-	-	0%
Other liabilities	3,141,994	3,013,873	5,737	11,227	3,147,731	3,025,100	4%
<b>Total liabilities</b>	<b>3,141,994</b>	<b>3,013,873</b>	<b>5,737</b>	<b>11,227</b>	<b>3,147,731</b>	<b>3,025,100</b>	<b>4%</b>
Net Assets:							
Invested in capital assets, net of related debt	2,599,384	2,679,108	16,008	9,300	2,615,392	2,688,408	-3%
Restricted	1,807,716	1,372,071	-	32,722	1,807,716	1,372,071	329%
Unrestricted	806,853	885,182	15,340		822,193	917,904	-10%
<b>TOTAL NET ASSETS</b>	<b>5,213,953</b>	<b>4,936,361</b>	<b>31,348</b>	<b>42,022</b>	<b>5,245,301</b>	<b>4,978,383</b>	<b>5%</b>

The District's combined net assets increased by nearly 5%, or approximately \$267,000, over 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.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$436,000 or 32% over the prior year. The increase was primarily a result of sales tax revenues that are being saved for future capitol improvements.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$96,000, or 10%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	367,391	521,392	167,163	173,499	534,554	694,891	-23%
Operating grants & contributions	706,107	746,810	106,284	103,687	812,391	850,497	-4%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							0%
Property taxes	1,965,424	2,314,908	-	-	1,965,424	2,314,908	-15%
Income Surtax	266,658	221,290	-	-	266,658	221,290	21%
Local option sales tax	508,225	469,120	-	-	508,225	469,120	8%
Unrestricted state grants	2,428,129	2,189,801	-	-	2,428,129	2,189,801	11%
Unrestricted investment earnings	42,214	13,538	-	439	42,214	13,977	202%
Other revenue	7,358	1,488	-	-	7,358	1,488	394%
<b>Total Revenues</b>	<b>6,291,506</b>	<b>6,478,347</b>	<b>273,447</b>	<b>277,625</b>	<b>6,564,953</b>	<b>6,755,972</b>	<b>-3%</b>
Expenses:							
Instruction	4,050,745	4,041,734	-	-	4,050,745	4,041,734	0%
Support services	1,536,858	1,492,036	-	-	1,536,858	1,492,036	3%
Non-instructional programs	1,400	1,468	293,718	283,518	295,118	284,986	4%
Other expenditures	415,314	411,236	-	-	415,314	411,236	1%
<b>Total expenses</b>	<b>6,004,317</b>	<b>5,946,474</b>	<b>293,718</b>	<b>283,518</b>	<b>6,298,035</b>	<b>6,229,992</b>	<b>1%</b>
<b>Change in net assets before transfers</b>	<b>287,189</b>	<b>531,873</b>	<b>(20,271)</b>	<b>(5,893)</b>	<b>266,918</b>	<b>525,980</b>	<b>-49%</b>
Transfers	(9,597)	-	9,597	-	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>277,592</b>	<b>531,873</b>	<b>(10,674)</b>	<b>(5,893)</b>	<b>266,918</b>	<b>525,980</b>	<b>-49%</b>
Net assets beginning of year	4,936,361	4,404,488	42,022	47,915	4,978,383	4,452,403	12%
Net assets end of year	<b>5,213,953</b>	<b>4,936,361</b>	<b>31,348</b>	<b>42,022</b>	<b>5,245,301</b>	<b>4,978,383</b>	<b>5%</b>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$6,291,506 and expenses were \$6,004,317. The District was able to balance the budget by trimming expenses to match available revenues.

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

	<b>Total Cost of Services 2005 \$</b>	<b>Total Cost of Services 2004 \$</b>	<b>Net Cost of Services 2005 \$</b>	<b>Net Cost of Services 2004 \$</b>
Instruction	4,050,745	4,041,734	3,177,905	3,121,680
Support Services	1,536,858	1,492,036	1,536,161	1,344,912
Non-instructional Programs	1,400	1,468	1,400	1,468
Other Expenses	415,314	411,236	215,353	210,212
<b>TOTAL</b>	<b>6,004,317</b>	<b>5,946,474</b>	<b>4,930,819</b>	<b>4,678,272</b>

- The cost financed by users of the District's programs was \$367,391.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$706,107.
- The net cost of governmental activities was financed with \$2,740,307 in property and other taxes and \$2,428,129 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$273,447 and expenses were \$293,718. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Riverside 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 a combined fund balance of \$2,336,481, well above last year's ending fund balances of \$1,989,359.

## **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$617,288 to \$528,765, due in part to the negotiated salary and benefits settlement.
- The Capital Projects Fund balance increased due to lack of expenditures for the year. Fiscal 2005 ended with a balance of \$1,378,306. This balance must be used for future capitol improvements and equipment.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$42,022 at June 30, 2004 to \$31,348 at June 30, 2005. No significant changes were made in the School Nutrition Program in fiscal year 2005.

## **BUDGETARY HIGHLIGHTS**

Riverside Community School District made no amendments to the budget during the year.

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

The District's receipts were \$17,453 less than budgeted receipts. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2005, the District had invested \$2.6 million, 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) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$173,354.

The original cost of the District's capital assets was \$8.08 million. Governmental funds account for \$8.03 million, with the remainder of \$.05 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**

**Capital Assets (net of depreciation)**

	Governmental		Business type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	2,074,082	2,157,046	-	-	2,074,082	2,157,046	-4%
Improvements	290,493	282,258	-	-	290,493	282,258	3%
Equipment & Furniture	224,809	229,804	16,008	9,300	240,817	239,104	1%
<b>TOTAL</b>	<b>2,599,384</b>	<b>2,679,108</b>	<b>16,008</b>	<b>9,300</b>	<b>2,615,392</b>	<b>2,688,408</b>	<b>-3%</b>

**Long-Term Debt**

The district had no long term debt at June 20, 2005.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by three students. This drop in enrollment will decrease the District's funding for fiscal year 2007.
- The District has experienced declining enrollment for the past several years, and the District expects a slight decrease in future enrollment due larger numbers in graduating classes versus the projected smaller numbers enrolling in kindergarten.
- The District continually evaluates the condition of its transportation vehicles and determines, due to safety precautions, when buses need to be replaced. Historically, one bus has been replaced each year from the Physical Plant and Equipment Levy Fund. The district will continue to evaluate the need to replace buses on a yearly basis or determine if replacement can be on an every-other-year schedule.
- The District will negotiate with the Riverside Education Association (REA) a new agreement during fiscal 2006. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## **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 Supt. James Sutton or Marlene Novotny, Board Secretary/Treasurer and Business Manager, Riverside Community School District, 330 Pleasant St, Carson, IA 51525.

# RIVERSIDE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2005

### 1. Summary of Significant Accounting Policies

Riverside Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Carson, Oakland and Macedonia Iowa and the predominately agricultural territory in a portion of Pottawattamie County. 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, Riverside 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 Riverside Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

#### B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instruction, support and other costs.

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

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

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's employee flexible benefit plan.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is 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 balance sheet:

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 governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

### 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 40.

### 3. **Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor Governmental: Student Activity Fund	391
Nonmajor Governmental: Management Fund	General Fund	17,906
Physical Plant and Equipment Fund	General Fund	21,487

The Student Activity Fund owes the General Fund for salaries paid by the General Fund.

During fiscal year 2005 property tax revenues for the Management Fund and Physical Plant and Equipment Fund were deposited in the General Fund in error. These amounts will be repaid during fiscal year 2006.

#### 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Business Type Food Service Program	Governmental Activities	9,597

This transfer reflects the purchase of food service equipment with the physical plant and equipment property tax levy.

#### 5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
			\$	\$	\$	\$
2004-05B	1/28/05	1/27/06	-	78	-	-
2005-06A	6/30/05	6/30/06	545,405	116	543,000	104
Total			545,405	194	543,000	104

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. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, 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. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

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

Series	Interest Rates on Warrants %	Interest Rates on Investments %
2004-05B	3.500	2.280
2005-06A	4.000	3.903

## 6. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Total capital assets not being depr.	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	6,625,396	-	-	6,625,396
Improvements other than buildings	307,221	24,839	-	332,060
Furniture and equipment	1,056,998	64,848	51,000	1,070,846
Total capital assets being deprec.	<u>7,989,615</u>	<u>89,687</u>	<u>51,000</u>	<u>8,028,302</u>
Less accumulated depreciation for:				
Buildings	4,468,350	82,964	-	4,551,314
Improvements other than buildings	24,963	16,604	-	41,567
Furniture and equipment	827,194	69,843	51,000	846,037
Total accumulated depreciation	<u>5,320,507</u>	<u>169,411</u>	<u>51,000</u>	<u>5,438,918</u>
Total capital assets being depreciated, net	<u>2,669,108</u>	<u>(79,724)</u>	<u>-</u>	<u>2,589,384</u>
Governmental activities capital assets, net	<u>2,679,108</u>	<u>(79,724)</u>	<u>-</u>	<u>2,599,384</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	36,652	10,651	-	47,303
Less accumulated depreciation	<u>27,352</u>	<u>3,943</u>	-	<u>31,295</u>
Business type activities capital assets, net	<u>9,300</u>	<u>6,708</u>	-	<u>16,008</u>

Depreciation expense was charged to the following functions:	\$
Governmental activities:	
Instruction:	
Regular	11,390
Support Services:	
Transportation	<u>58,453</u>
	69,843
Unallocated depreciation	<u>99,568</u>
Total depreciation expense – governmental activities	<u>169,411</u>
Business type activities:	
Food services	<u>3,943</u>

## 7. Long-Term Liabilities

### General Obligation Bonds Payable

The District had no bond indebtedness at June 30, 2005.

## 8. 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 which that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$192,190, \$187,320, and \$185,569 respectively, equal to the required contributions for each year.

## 9. Risk Management

The District is a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. The District's share of this assessment was \$21,366, of which \$10,683 was paid with the 2004-2005 premiums and \$10,683 is a liability as of June 30, 2005 and will be paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$534,195.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

#### **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 \$199,961 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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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  
Riverside 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 Riverside Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 16, 2005. 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 Riverside Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 05-I-A and 05-I-B are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverside 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 non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Riverside 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

August 16, 2005

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

05-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

05-I-B School Expenditure Board Approval: We noted the following items during our testing of District expenditures:

General Fund – Electronic payments for payroll taxes and service fees were not on the lists of bills approved by the board.

Recommendation: The District should review its procedures for preparing the lists of bills for board approval. Chapter 179.29 of the Code of Iowa provides that “the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Board President. Except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments made prior to board approval as allowed should be approved by the board at the next meeting.

District Response: We are in the process of reviewing and changing our current procedures.

Conclusion: Response accepted

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2005.

Recommendation: The District should increase the maximum dollar amount allowed by its depository resolution so that the maximum will not be exceeded during the times when cash flow of the District is the greatest.

District Response: We will increase the maximum deposit amount allowed by our depository resolution.

Conclusion: Response accepted.

05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.

05-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D Travel Expenses: 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.

05-II-E Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Rhonda Crumley, Employee	Lawn Care	13,085
Gary Wax, Employee	Lawn Care	810

The transaction with the employee does not appear to represent a conflict of interest as bids were taken.

05-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

05-II-G Board Minutes: Except as explained in comment 05-I-B, we noted no transactions requiring Board approval that had not been approved by the Board.

05-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

05-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

05-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR and noted no significant deficiencies in the amounts reported.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (Continued):

05-II-K Financial Condition: The Student Activity Fund has a few accounts with deficit balances at June 30, 2005.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

05-II-L Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

05-II-M Physical Plant and Equipment Levy Fund: We noted that expenditures from this fund included some purchases for individual items of equipment with a cost of less than \$500.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund.

District Response: We will monitor expenditures from this fund.

Conclusion: Response accepted.