

RICEVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

- Prepared By -

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RICEVILLE COMMUNITY SCHOOL DISTRICT

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RICEVILLE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Deborah Oulman	President	2005
Lowell Dohlman	Board Member	2005
Carla McCarthy	Board Member	2005
Joel Yorgey	Board Member	2007
Sheryl Noble	Board Member	2006
Board of Education (After September 2005 Election)		
Deborah Oulman	President	2007
Sheryl Noble	Vice-President	2006
Lowell Dohlman	Board Member	2008
Carla McCarthy	Board Member	2008
Joel Yorgey	Board Member	2007
School Officials		
Chris Anderson	Superintendent	June 30, 2007
Darlene Hickle	District Secretary/ Treasurer	June 30, 2007
Aaron Murphy	Attorney	June 30, 2007



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Riceville Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Riceville Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my 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 the Riceville Community School District at June 30, 2006, 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, I have also issued my report dated September 26, 2006 on my consideration of the Riceville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Riceville Community School District's basic financial statements. I 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, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Riceville 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, 2006. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

General Fund revenues increased from \$3,341,678 in fiscal 2005 to \$3,451,748 in fiscal 2006, while General Fund expenditures decreased from \$3,577,396 in fiscal 2005 to \$3,522,054 in fiscal 2006. The District's General Fund balance decreased from \$72,962 in fiscal 2005 to \$2,656 in fiscal 2006, a 96% decrease.

The increase in General Fund revenues was attributable to an increase in property tax and federal grant revenue in fiscal 2006. The decrease in expenditures was due primarily to a decrease in support services 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 2006. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

An increase in interest rates during the past fiscal year resulted in interest earnings in the General Fund increasing from \$2,418 in fiscal 2005 to \$2,876 in fiscal 2006.

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 Riceville 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 Riceville 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 Riceville Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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 Governmental Funds.

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

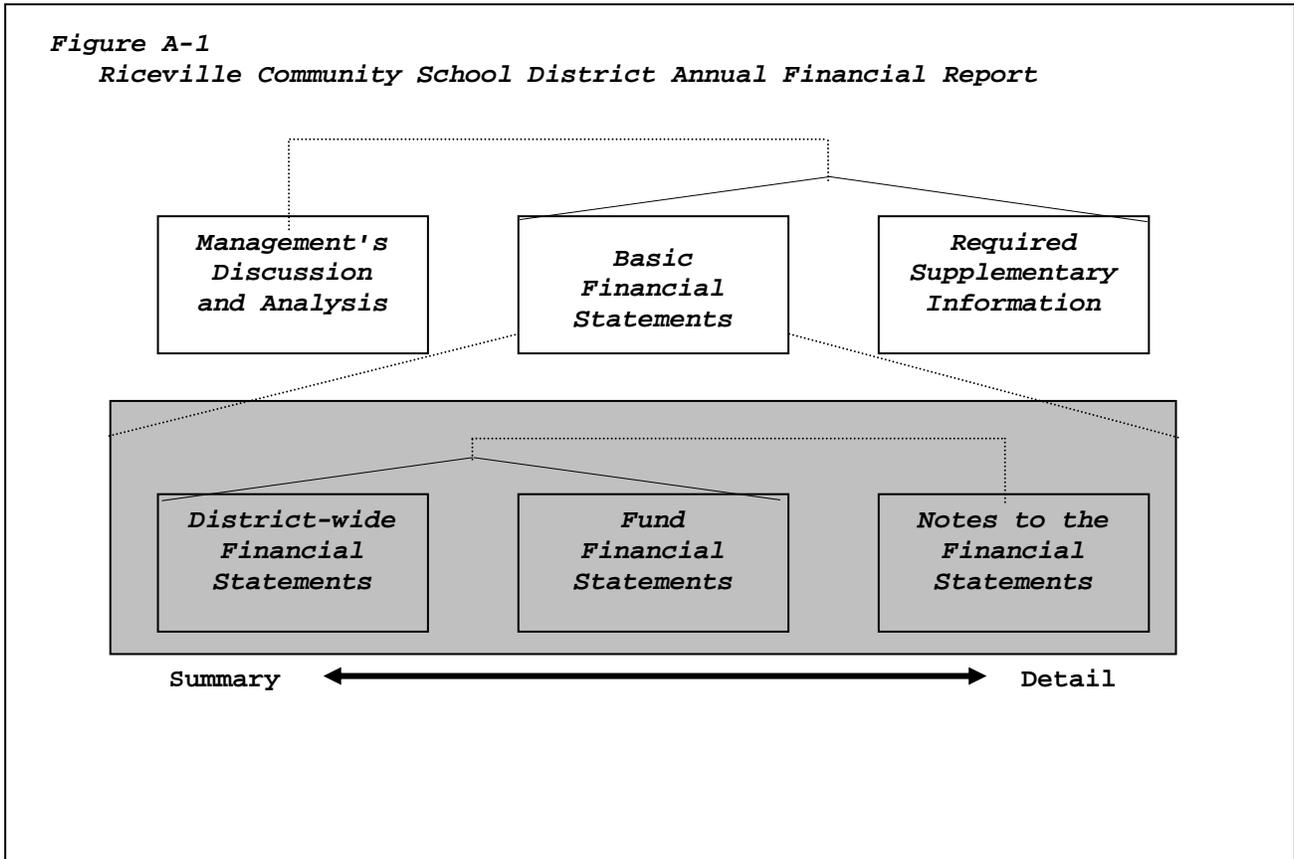


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
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
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
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

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 and Special Revenue Funds.

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

2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The table below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Condensed Statement of Net Assets								
(Expressed in Thousands)								
	<u>Governmental</u>		<u>Business type</u>		<u>Total</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005 - 2006</u>	
Current and other assets	\$ 3,672	\$ 2,725	\$ 48	\$ 35	\$ 3,720	\$ 2,760	34.8%	
Capital assets	1,253	981	12	15	1,265	996	27.0	
Total assets	<u>\$ 4,925</u>	<u>\$ 3,706</u>	<u>\$ 60</u>	<u>\$ 50</u>	<u>\$ 4,985</u>	<u>\$ 3,756</u>	<u>32.7%</u>	
Other liabilities	<u>\$ 2,842</u>	<u>\$ 1,799</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2,844</u>	<u>\$ 1,801</u>	<u>57.9%</u>	
Net assets:								
Invested in capital assets, net of related debt	\$ 1,253	\$ 981	\$ 12	\$ 15	\$ 1,265	\$ 996	27.0%	
Restricted	471	416	-	-	471	416	13.2	
Unrestricted	<u>359</u>	<u>510</u>	<u>46</u>	<u>33</u>	<u>405</u>	<u>543</u>	<u>(25.4)</u>	
Total net Assets	<u>\$ 2,083</u>	<u>\$ 1,907</u>	<u>\$ 58</u>	<u>\$ 48</u>	<u>\$ 2,141</u>	<u>\$ 1,955</u>	<u>9.5%</u>	

The District's combined net assets increased by nearly 10%, or approximately \$186,000, over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g., land, infrastructure, buildings and equipment).

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 \$55,000, or 13.2% over the prior year. The increase was primarily a result of restatement of certain restricted funds to the Physical Plant and Equipment Levy Fund.

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 \$140,000, or 25.4%. This reduction in unrestricted net assets was a result of the restatement to restricted PPEL discussed above, as well as the District using carryover fund balance to meet its financial obligations during the year.

The table below shows the change in net assets for the year ended June 30, 2006.

	Changes in Net Assets							
	(Expressed in Thousands)							
	Governmental		Business		Total		Total	
	Activities		type		District		Change	
June 30,		June 30,		June 30,		June 30,		
2006	2005	2006	2005	2006	2005	2005-2006		
Revenues:								
Program revenues:								
Charges for service	\$ 341	\$ 310	\$ 98	\$ 89	\$ 439	\$ 399	10.0%	
Operating grants, contributions and restricted interest	643	446	76	76	719	522	37.7	
General Revenues:								
Property Tax	1,888	1,843	-	-	1,888	1,843	2.4	
Local option sales and service tax	223	182	-	-	223	182	22.5	
Unrestricted state grants	980	1,119	-	-	980	1,119	(12.4)	
Unrestricted investment earnings	20	8	-	-	20	8	150.0	
Other	116	64	-	-	116	64	81.3	
Total revenues	<u>\$4,211</u>	<u>\$3,972</u>	<u>\$ 174</u>	<u>\$ 165</u>	<u>\$4,385</u>	<u>\$4,137</u>	<u>6.0%</u>	
Program expenses:								
Governmental activities:								
Instruction	\$2,360	\$2,245	\$ -	\$ -	\$2,360	\$2,245	5.1%	
Support services	1,394	1,452	-	-	1,394	1,452	(3.9)	
Non-instructional programs	-	1	164	164	164	165	(.6)	
Other expenses	282	499	-	-	282	499	(43.5)	
Total expenses	<u>\$4,036</u>	<u>\$4,197</u>	<u>\$ 164</u>	<u>\$ 164</u>	<u>\$4,200</u>	<u>\$4,361</u>	<u>(3.7)%</u>	
Change in net assets	<u>\$ 175</u>	<u>\$ (225)</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 185</u>	<u>\$ (224)</u>	<u>182.6%</u>	

In fiscal 2006, property tax, operating grants and contributions, and unrestricted state grants account for 82% 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 \$4,211,727 and expenses were \$4,036,269. In a difficult budget year, 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.

	Total and Net Cost of Governmental Activities	
	(Expressed in Thousands)	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,360	\$ 1,502
Support services	1,394	1,394
Other expenses	<u>282</u>	<u>155</u>
Totals	<u>\$ 4,036</u>	<u>\$ 3,051</u>

The cost financed by users of the District's programs was \$341,324.

Federal and state governments subsidized certain programs with grants and contributions totaling \$643,412.

The net cost of governmental activities was financed with \$2,111,506 in property and other taxes and \$979,837 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$164,320 and expenses were \$173,884. The District's business type activities include the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

Governmental Fund Highlights

The District's deteriorating 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 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 \$72,962 to \$2,656, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$509,820 in fiscal 2005 to \$379,175 in fiscal 2006. While revenues remained approximately the same, the District had expenditures greater than receipts in the PPEL Fund as projects were completed to improve the educational facility.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$48,258 at June 30, 2005 to \$58,003 at June 30, 2006, representing an increase of approximately 20%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Riceville Community School District did not amend its annual budget.

The District's receipts were \$291,008 more than budgeted receipts, a variance of 7.3%. The most significant variance resulted from the District receiving more revenue from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS

At June 30, 2006, the District had invested \$1,265,273, 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-3) This represents a net increase of 27% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$150,384.

The original cost of the District's capital assets was \$3,934,097. Governmental funds account for \$3,793,623, with the remainder of \$140,474 accounted for in the Proprietary, School Nutrition Fund.

Figure A-3
Capital Assets, Net of Depreciation
(expressed in thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005 - 2006
Land	\$ 37	\$ 37	\$ -	\$ -	\$ 37	\$ 37	0.0%
Buildings	1,024	815	-	-	1,024	815	25.6
Furniture and equipment	192	129	12	15	204	144	41.7
Totals	\$1,253	\$ 981	\$ 12	\$ 15	\$ 1,265	\$ 996	27.0%

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:

Our budget enrollment dropped by over 100 students in 5 years. Declining enrollment will continue to impact the District in future years. The District continues to have more students open enrolling in than enrolled out, with a difference of 25 students for 2005-2006.

The District continues to experience an increase in the number of special education students at all three service levels. The District's special education budget ran a deficit of over \$289,000 in 2005-2006, due largely to transportation, staffing and facility expenditures.

Associated costs of additional special education students are those for counseling and at-risk programs, which continues to grow.

During 2005-2006, the District completed several projects to renovate and repair the building, including remodeling the high school science lab and family and consumer science room, replacing the elementary roof, tuck pointing exterior brick, and repairing sidewalks. Additional projects to be completed to enhance the educational programs of the district include: installing proper venting for the art room kiln, installing more interior emergency lighting, and resurfacing the gym floor.

The elimination of the state budget guarantee continues to place a greater burden on local taxpayers, as district costs do not necessarily decrease with fewer students.

Under the District's fully-insured health care plan with Blue Cross-Blue Shield, premiums remained stable with a slight increase of 0.5% for 2005-2006.

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 Darlene Hickle, District Secretary, Riceville Community School District, Riceville, Iowa, 50466.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and investments	\$ 719,490	\$ 37,476	\$ 756,966
Receivables:			
Property tax:			
Succeeding year	1,922,278	-	1,922,278
Income surtax	83,060	-	83,060
Accounts	200	-	200
Accrued interest-ISCAP	7,261	-	7,261
Due from other governments	34,333	-	34,333
Restricted ISCAP investments (Note 3)	905,495	-	905,495
Inventories	-	9,866	9,866
Capital assets, net of accumulated depreciation	<u>1,252,872</u>	<u>12,401</u>	<u>1,265,273</u>
Total assets	<u>\$4,924,989</u>	<u>\$ 59,743</u>	<u>\$4,984,732</u>
LIABILITIES:			
Accounts payable	\$ 1,698	\$ 1,740	\$ 3,438
ISCAP warrants payable (Note 3)	911,397	-	911,397
ISCAP accrued interest payable	6,995	-	6,995
Deferred revenue - succeeding year property tax	<u>1,922,278</u>	<u>-</u>	<u>1,922,278</u>
Total liabilities	<u>\$2,842,368</u>	<u>\$ 1,740</u>	<u>\$2,844,108</u>
NET ASSETS:			
Invested in capital assets	\$1,252,872	\$ 12,401	\$1,265,273
Restricted for:			
Management levy	91,930	-	91,930
Physical plant and equipment levy	379,175	-	379,175
Unrestricted	<u>358,644</u>	<u>45,602</u>	<u>404,246</u>
Total net assets	<u>\$2,082,621</u>	<u>\$ 58,003</u>	<u>\$2,140,624</u>

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$1,454,349	\$ 224,397	\$ 514,080	\$ -
Special instruction	419,474	-	-	-
Other instruction	485,726	116,927	2,086	-
	<u>\$2,359,549</u>	<u>\$ 341,324</u>	<u>\$ 516,166</u>	<u>\$ -</u>
Support services:				
Student services	\$ 92,833	-	-	-
Instructional staff Services	81,403	-	-	-
Administration Services	475,289	-	-	-
Operation and maintenance of plant services	376,840	-	-	-
Transportation services	367,977	-	-	-
	<u>\$1,394,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 6,886	\$ -	\$ -	\$ -
AEA flowthrough	127,246	-	127,246	-
Depreciation(unallocated)*	148,246	-	-	-
	<u>\$ 282,378</u>	<u>\$ -</u>	<u>\$ 127,246</u>	<u>\$ -</u>
Total governmental Activities	\$4,036,269	\$ 341,324	\$ 643,412	\$ -
Business type activities:				
Non-instructional programs:				
Food service operations	<u>164,320</u>	<u>98,342</u>	<u>75,542</u>	<u>-</u>
Total	<u>\$4,200,589</u>	<u>\$ 439,666</u>	<u>\$ 718,954</u>	<u>\$ -</u>

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

(Continued)

**Net (Expense) Revenue
And Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (715,872)	\$ -	\$ (715,872)
(419,474)	-	(419,474)
(366,713)	-	(366,713)
<u>\$ (1,502,059)</u>	<u>\$ -</u>	<u>\$ (1,502,059)</u>
\$ (92,833)	\$ -	\$ (92,833)
(81,403)	-	(81,403)
(475,289)	-	(475,289)
(376,840)	-	(376,840)
(367,977)	-	(367,977)
<u>\$ (1,394,342)</u>	<u>\$ -</u>	<u>\$ (1,394,342)</u>
\$ (6,886)	\$ -	\$ (6,886)
-	-	-
(148,246)	-	(148,246)
<u>\$ (155,132)</u>	<u>\$ -</u>	<u>\$ (155,132)</u>
\$ (3,051,533)	\$ -	\$ (3,051,533)
<u>-</u>	<u>9,564</u>	<u>9,564</u>
<u>\$ (3,051,533)</u>	<u>\$ 9,564</u>	<u>\$ (3,041,969)</u>

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2006

General Revenues:

Property tax levied for:
 General purposes
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See Notes to Financial Statements.

**Net (Expense) Revenue
And Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 1,888,247	\$ -	\$ 1,888,247
223,259	-	223,259
979,837	-	979,837
19,832	181	20,013
<u>115,816</u>	<u>-</u>	<u>115,816</u>
<u>\$ 3,226,991</u>	<u>\$ 181</u>	<u>\$ 3,227,172</u>
\$ 175,458	\$ 9,745	\$ 185,203
<u>1,907,163</u>	<u>48,258</u>	<u>1,955,421</u>
<u>\$ 2,082,621</u>	<u>\$ 58,003</u>	<u>\$ 2,140,624</u>

RICEVILLE COMMUNITY SCHOOL DISTRICT
 Balance Sheet
 Governmental Funds
 June 30, 2006

	<u>General</u>	<u>Management</u>	<u>Physical Plant and Equipment Levy</u>
ASSETS:			
Cash and investments	\$ 987	\$ 91,930	\$379,175
Receivables:			
Property taxes:			
Succeeding year	1,709,477	80,000	132,801
Income surtax	62,060	-	21,000
Accounts	-	-	-
Accrued interest-ISCAP	7,261	-	-
Due from other governments	9,003	-	-
Restricted ISCAP investments (Note 3)	905,495	-	-
	<u>\$2,694,283</u>	<u>\$ 171,930</u>	<u>\$532,976</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 1,698	\$ -	\$ -
ISCAP warrants payable (Note 3)	911,397	-	-
ISCAP accrued interest payable	6,995	-	-
Deferred revenue:			
Succeeding year property tax	1,709,477	80,000	132,801
Other	62,060	-	21,000
Total liabilities	\$2,691,627	\$ 80,000	\$153,801
Fund balances:			
Unreserved	2,656	91,930	379,175
	<u>\$2,694,283</u>	<u>\$ 171,930</u>	<u>\$532,976</u>

See Notes to Financial Statements.

<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 247,398	\$ 719,490
-	1,922,278
-	83,060
200	200
-	7,261
25,330	34,333
<u>-</u>	<u>905,495</u>
<u>\$ 272,928</u>	<u>\$3,672,117</u>
\$ -	\$ 1,698
-	911,397
-	6,995
-	1,922,278
-	83,060
<u>\$ -</u>	<u>\$2,925,428</u>
<u>272,928</u>	<u>746,689</u>
<u>\$ 272,928</u>	<u>\$3,672,117</u>

RICEVILLE COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 To the Statement of Net Assets
 June 30, 2006

Total fund balances of governmental funds (page 19) \$ 746,689

*Amounts reported for governmental activities in the
 Statement of Net Assets is different because:*

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in the governmental funds. 1,252,872

Other long-term assets are not available to pay current
 period expenditures and, therefore, are deferred in the
 governmental funds. 83,060

Net assets of governmental activities (page 13) \$2,082,621

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2006

	<u>General</u>	<u>Management</u>	<u>Physical Plant and Equipment Levy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$1,627,878	\$ 99,887	\$ 153,746	\$ 223,259	\$2,104,770
Tuition	195,239	-	-	-	195,239
Other	133,872	4,258	6,668	138,054	282,852
State sources	1,289,029	54	71	-	1,289,154
Federal sources	205,730	-	-	-	205,730
Total revenues	<u>\$3,451,748</u>	<u>\$104,199</u>	<u>\$ 160,485</u>	<u>\$ 361,313</u>	<u>\$4,077,745</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$1,454,349	\$ -	\$ -	\$ -	\$1,454,349
Special instruction	419,474	-	-	-	419,474
Other instruction	350,505	-	-	135,221	485,726
	<u>\$2,224,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,221</u>	<u>\$2,359,549</u>
Support services:					
Student services	\$ 92,833	\$ -	\$ -	\$ -	\$ 92,833
Instructional staff services	80,553	-	850	-	81,403
Administration services	411,492	63,797	-	-	475,289
Operation and maintenance of plant services	316,795	32,083	27,962	-	376,840
Transportation services	268,807	13,323	85,847	-	367,977
	<u>\$1,170,480</u>	<u>\$109,203</u>	<u>\$ 114,659</u>	<u>\$ -</u>	<u>\$1,394,342</u>
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 176,471	\$ 122,982	\$ 299,453
AEA flowthrough	127,246	-	-	-	127,246
	<u>\$ 127,246</u>	<u>\$ -</u>	<u>\$ 176,471</u>	<u>\$ 122,982</u>	<u>\$ 426,699</u>
Total expenditures	<u>\$3,522,054</u>	<u>\$109,203</u>	<u>\$ 291,130</u>	<u>\$ 258,203</u>	<u>\$4,180,590</u>
Net change in fund balances	\$ (70,306)	\$ (5,004)	\$(130,645)	\$ 103,110	\$ (102,845)
Fund balances beginning of year	<u>72,962</u>	<u>96,934</u>	<u>509,820</u>	<u>169,818</u>	<u>849,534</u>
Fund balances end of year	<u>\$ 2,656</u>	<u>\$ 91,930</u>	<u>\$ 379,175</u>	<u>\$ 272,928</u>	<u>\$ 746,689</u>

See Notes to Financial Statements.

RICEVILLE 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, 2006

Net change in fund balances - total governmental funds \$(102,845)
 (page 21)

*Amounts reported for governmental activities in the
 Statement of Activities is different because:*

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

Net change in fixed assets	419,813	
Depreciation expense	<u>(148,246)</u>	271,567

Certain delinquent property tax not collected for several months after year and is not considered available revenue and is deferred in the governmental funds.

6,736

Change in net assets of governmental activities (page 17) \$ 175,458

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2006

	<u>School Nutrition</u>
ASSETS:	
Cash and investments	\$ 37,476
Inventories	9,866
Capital assets, net of accumulated depreciation	<u>12,401</u>
Total assets	<u>\$ 59,743</u>
LIABILITIES:	
Accounts payable	<u>\$ 1,740</u>
NET ASSETS:	
Invested in capital assets	\$ 12,401
Unrestricted	<u>45,602</u>
Total net assets	<u>\$ 58,003</u>

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 98,342
Operating expenses:	
Non-instructional programs:	
Salaries and benefits	\$ 79,300
Purchased services	2,676
Supplies	80,206
Depreciation	2,138
Total operating expenses	<u>\$164,320</u>
Operating loss	<u>\$(65,978)</u>
Non-operating revenues:	
State sources	\$ 2,541
Federal sources	73,001
Interest income	181
Total non-operating revenues	<u>\$ 75,723</u>
Net income	\$ 9,745
Net assets beginning of year	<u>48,258</u>
Net assets end of year	<u>\$ 58,003</u>

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 95,670
Cash received from miscellaneous operating activities	2,672
Cash paid to employees for services	(79,300)
Cash paid to suppliers for goods or services	(68,113)
Net cash used by operating activities	<u>\$(49,071)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,541
Federal grants received	59,061
Net cash provided by non-capital financing activities	<u>\$ 61,602</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 181</u>
Net increase in cash and cash equivalents	\$ 12,712
Cash and cash equivalents beginning of year	<u>24,764</u>
Cash and cash equivalents end of year	<u>\$ 37,476</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$(65,978)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,803
Depreciation	2,138
Decrease in accounts payable	<u>(34)</u>
Net cash used by operating activities	<u>\$(49,071)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2006, the District received \$13,941 of federal commodities.	

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies

The Riceville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Riceville, Iowa and the predominate agricultural territory in Mitchell and Howard Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, the Riceville 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 Riceville Community School District has no component units which 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 Howard 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.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies - continued

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 consists of capital assets, net of accumulated depreciation.

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 imposed by management which 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 and proprietary funds. 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 instructional, support and other costs.

The Management Fund is used to account for payment of insurance and early retirement.

The Physical Plant and Equipment Levy Fund is used to account for all resources used in the major repair of capital facilities.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies - continued

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies - continued

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 non-operating 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 non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies - continued

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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies - continued

Asset Class	Amount
Land	\$ 1
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	50 years
Furniture and equipment	5 years

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 represents 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies - continued

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, 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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) Cash and Investments

The District's deposits in banks at June 30, 2006 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.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 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>
2005-06B	1/26/06	1/26/07	\$ 360,253	\$ 7,091	\$ 361,242	\$ 6,860
2006-07A	6/28/06	6/28/07	545,242	170	550,155	135
			<u>\$ 905,495</u>	<u>\$ 7,261</u>	<u>\$ 911,397</u>	<u>\$ 6,995</u>

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, 2006 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2005-06B	\$ -	\$ 55,000	\$ 55,000	\$ -

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,000	\$ -	\$ -	\$ 37,000
Capital assets being depreciated:				
Buildings and improvements	\$ 2,227,395	\$ 279,914	\$ -	\$ 2,507,309
Furniture and equipment	1,109,414	139,899	-	1,249,313
Total capital assets being depreciated	\$ 3,336,809	\$ 419,813	\$ -	\$ 3,756,622
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,412,240	\$ 71,174	\$ -	\$ 1,483,414
Furniture and equipment	980,264	77,072	-	1,057,336
Total accumulated depreciation	\$ 2,392,504	\$ 148,246	\$ -	\$ 2,540,750
Total capital assets being depreciated, net	\$ 944,305	\$ 271,567	\$ -	\$ 1,215,872
Governmental activities capital assets, net	\$ 981,305	\$ 271,567	\$ -	\$ 1,252,872

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 140,474	\$ -	\$ -	\$ 140,474
Less accumulated depreciation	125,935	2,138	-	128,073
Business type activities capital assets, net	\$ 14,539	\$ (2,138)	\$ -	\$ 12,401

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	\$ 148,246
Business type activities:	
Food service operations	\$ 2,085

(5) Long-Term Liabilities

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits of \$37,732 were paid during the year ended June 30, 2006.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

(6) **Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 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 payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$119,398, \$100,330, and \$107,952 respectively, equal to the required contributions for each year.

(7) **Risk Management**

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

(8) **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 \$127,246 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) **Construction Commitment**

The District has entered into a contract totaling \$234,708 for roof repair to the elementary building. As of June 30, 2006, costs of \$151,725 had been incurred against the contract. The balance of \$82,983 remaining at June 30, 2006 will be paid as work on the project progresses.

Required Supplementary Information

RICEVILLE 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, 2006

	Governmental Funds Actual	Proprietary Fund Actual
RECEIPTS:		
Local sources	\$2,588,742	\$ 98,523
State sources	1,280,151	2,541
Federal sources	227,490	73,001
Total receipts	<u>\$4,096,383</u>	<u>\$ 174,065</u>
DISBURSEMENTS:		
Instruction	\$2,357,851	\$ -
Support services	1,394,342	-
Non-instructional programs	-	161,353
Other expenditures	421,063	-
Total disbursements	<u>\$4,173,256</u>	<u>\$ 161,353</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (76,873)	\$ 12,712
Other financing sources	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	\$ (76,873)	\$ 12,712
Balance beginning of year	<u>796,363</u>	<u>24,764</u>
Balance end of year	<u>\$ 719,490</u>	<u>\$ 37,476</u>

See Accompanying Independent Auditor's Report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
\$2,687,265	\$ 2,428,173	\$ 2,428,173	\$ 259,092
1,282,692	1,271,267	1,271,267	11,425
300,491	280,000	280,000	20,491
<u>\$4,270,448</u>	<u>\$ 3,979,440</u>	<u>\$ 3,979,440</u>	<u>\$ 291,008</u>
\$2,357,851	\$ 2,660,669	\$ 2,660,669	\$ 302,818
1,394,342	1,411,000	1,411,000	16,658
161,353	220,000	220,000	58,647
421,063	393,175	393,175	(27,888)
<u>\$4,334,609</u>	<u>\$ 4,684,844</u>	<u>\$ 4,684,844</u>	<u>\$ 350,235</u>
\$ (64,161)	\$ (705,404)	\$ (705,404)	\$ 641,243
<u>-</u>	<u>400</u>	<u>400</u>	<u>(400)</u>
\$ (64,161)	\$ (705,004)	\$ (705,004)	\$ 640,843
<u>821,127</u>	<u>134,523</u>	<u>134,523</u>	<u>686,604</u>
<u>\$ 756,966</u>	<u>\$ (570,481)</u>	<u>\$ (570,481)</u>	<u>\$1,327,447</u>

RICEVILLE COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjust- ments</u>	<u>Modified Accrual Basis</u>
Revenues	\$4,096,383	\$ (18,638)	\$4,077,745
Expenditures	<u>4,173,256</u>	<u>7,334</u>	<u>4,180,590</u>
Net	\$ (76,873)	\$ (25,972)	\$ (102,845)
Beginning fund balances	<u>796,363</u>	<u>53,171</u>	<u>849,534</u>
Ending fund balances	<u>\$ 719,490</u>	<u>\$ 27,199</u>	<u>\$ 746,689</u>

	<u>Proprietary Fund</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjust- ments</u>	<u>Accrual Basis</u>
Revenues	\$ 174,065	\$ -	\$ 174,065
Expenses	<u>161,353</u>	<u>2,967</u>	<u>164,320</u>
Net	\$ 12,712	\$ (2,967)	\$ 9,745
Beginning net assets	<u>24,764</u>	<u>23,494</u>	<u>48,258</u>
Ending net assets	<u>\$ 37,476</u>	<u>\$ 20,527</u>	<u>\$ 58,003</u>

See Accompanying Independent Auditor's Report.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2006

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. 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 fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the original budget.

During the year ended June 30, 2006, expenditures in the other expenditures function exceeded the amounts budgeted.

Other Supplementary Information

RICEVILLE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	<u>Student Activity</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS:			
Cash and investments	\$60,439	\$186,959	\$247,398
Receivables:			
Accounts receivable	200	-	200
Due from other governments	<u>-</u>	<u>25,330</u>	<u>25,330</u>
Total assets	<u>\$60,639</u>	<u>\$212,289</u>	<u>\$272,928</u>
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
None			
Unreserved fund balance	<u>60,639</u>	<u>212,289</u>	<u>272,928</u>
Total liabilities and fund balances	<u>\$60,639</u>	<u>\$212,289</u>	<u>\$272,928</u>

See Accompanying Independent Auditor's Report.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2006

	<u>Student Activity</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES:			
Local sources:			
Local tax	\$ -	\$223,259	\$223,259
Other	<u>137,374</u>	<u>680</u>	<u>138,054</u>
Total revenues	<u>\$137,374</u>	<u>\$223,939</u>	<u>\$361,313</u>
EXPENDITURES:			
Current:			
Instruction:			
Other	\$135,221	\$ -	\$135,221
Other expenditures:			
Facilities acquisition	<u>-</u>	<u>122,982</u>	<u>122,982</u>
Total expenditures	<u>\$135,221</u>	<u>\$122,982</u>	<u>\$258,203</u>
Excess of revenues over expenditures	\$ 2,153	\$100,957	\$103,110
Fund balances beginning of year	<u>58,486</u>	<u>111,332</u>	<u>169,818</u>
Fund balances end of year	<u>\$ 60,639</u>	<u>\$212,289</u>	<u>\$272,928</u>

See Accompanying Independent Auditor's Report.

RICEVILLE COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Annual	\$ 2,570	\$ 8,705	\$ 9,049	\$ 2,226
Athletics	13,261	32,384	40,568	5,077
Wrestling	3,219	12,640	9,199	6,660
Girls Basketball	214	435	433	216
Volleyball	620	969	1,041	548
Boys Basketball	58	-	-	58
Softball	-	1,629	916	713
Cheerleaders	1,385	3,309	3,148	1,546
Class of 2006	2,087	-	2,087	-
Class of 2007	809	4,111	3,659	1,261
Class of 2008	292	541	79	754
Class of 2009	698	-	15	683
Class of 2010	1,474	3,372	1,844	3,002
Class of 2011	1,576	2,762	1,564	2,774
Class of 2012	-	2,405	1,359	1,046
Future Farmers of America	13,176	41,274	42,014	12,436
Honor Society	345	497	338	504
Junior High Library	1,142	135	14	1,263
Senior High Library	1,026	80	446	660
Vocal Music	1,153	1,778	2,054	877
Instrumental Music	2,386	4,048	2,937	3,497
Resale:				
Shop	(33)	406	338	35
Vocational Agriculture	42	676	698	20
Spanish Class	34	-	-	34
Special Plans	8,553	9,468	7,231	10,790
Speech and Forensics	1,669	2,720	2,067	2,322
Journalism	53	-	-	53
Video Production	360	221	164	417
HS Student Council	(35)	1,709	975	699
MS Student Council	124	-	-	124
Intro to Manufacturing	-	54	-	54
Foods Class	-	661	661	-
Electrathon	157	-	-	157
Senior Graduation Account	75	385	327	133
Total	<u>\$ 58,490</u>	<u>\$137,374</u>	<u>\$ 135,225</u>	<u>\$ 60,639</u>

See Accompanying Independent Auditor's Report.

RICEVILLE COMMUNITY SCHOOL DISTRICT
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$2,104,770	\$2,007,868	\$1,876,077	\$1,840,950
Tuition	195,239	156,087	108,229	81,995
Other	282,852	218,016	178,441	213,511
State sources	1,289,154	1,403,190	1,262,474	1,154,943
Federal sources	205,730	169,805	194,987	187,363
Total	<u>\$4,077,745</u>	<u>\$3,954,966</u>	<u>\$3,620,208</u>	<u>\$3,478,762</u>
Expenditures:				
Instruction:				
Regular instruction	\$1,454,349	\$1,452,958	\$1,547,523	\$1,498,429
Special instruction	419,474	368,598	272,466	241,979
Other instruction	485,726	423,577	464,293	398,843
Support services:				
Student services	92,833	117,210	111,184	88,440
Instructional staff services	81,403	108,739	70,667	73,943
Administration services	475,289	488,844	492,758	464,894
Operation and maintenance of plant services	376,840	371,090	317,152	251,792
Transportation services	367,977	269,025	232,702	282,522
Central support services	-	97,791	1,986	4,445
Non-instructional programs	-	-	8,611	50
Other expenditures:				
Facilities acquisition	299,453	180,233	151,943	118,893
AEA flowthrough	127,246	128,100	130,590	138,797
Total	<u>\$4,180,590</u>	<u>\$4,006,165</u>	<u>\$3,801,875</u>	<u>\$3,563,027</u>

See Accompanying Independent Auditor's Report.



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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of the
Riceville Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Riceville Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 26, 2006. I conducted my 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 my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted one matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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. The reportable condition is described in Part II 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. My 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, I believe the reportable condition described above, item II-A-06, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Riceville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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 the Riceville Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the Riceville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



September 26, 2006

RICEVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2006

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITION:

II-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits, posting of the cash receipts and disbursements and preparation of the bank reconciliation are all done by the same person.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and make changes to improve internal control where possible.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Statutory Reporting:

IV-A-06 Certified Budget - Expenditures for the year ended June 30, 2006 exceeded the certified budget amounts in the other expenditures function.

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

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2006

Part IV: Other Findings Related to Statutory Reporting: - continued

- IV-B-06 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-06 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-06 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-06 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-06 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-06 Certified Annual Report - The Certified Annual Report was certified to the Iowa Department of Education timely.

