

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

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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, 2006, 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 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, we have also issued our report dated August 15, 2006, 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 36 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, 2005, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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 15, 2006

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

### 2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,399,779 in fiscal 2005 to \$5,354,495 in fiscal 2006, while General Fund expenditures increased from \$5,495,660 in fiscal 2005 to \$5,563,540 in fiscal 2006. The District's General Fund balance decreased from \$528,765 in fiscal 2005 to \$280,328 in fiscal 2006, a 47% decrease.
- The decrease in General Fund revenues was attributable to a decrease in student enrollment and a decrease in budget guarantee revenues in fiscal 2006. 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 2006. 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 Riverside 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 funds.

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

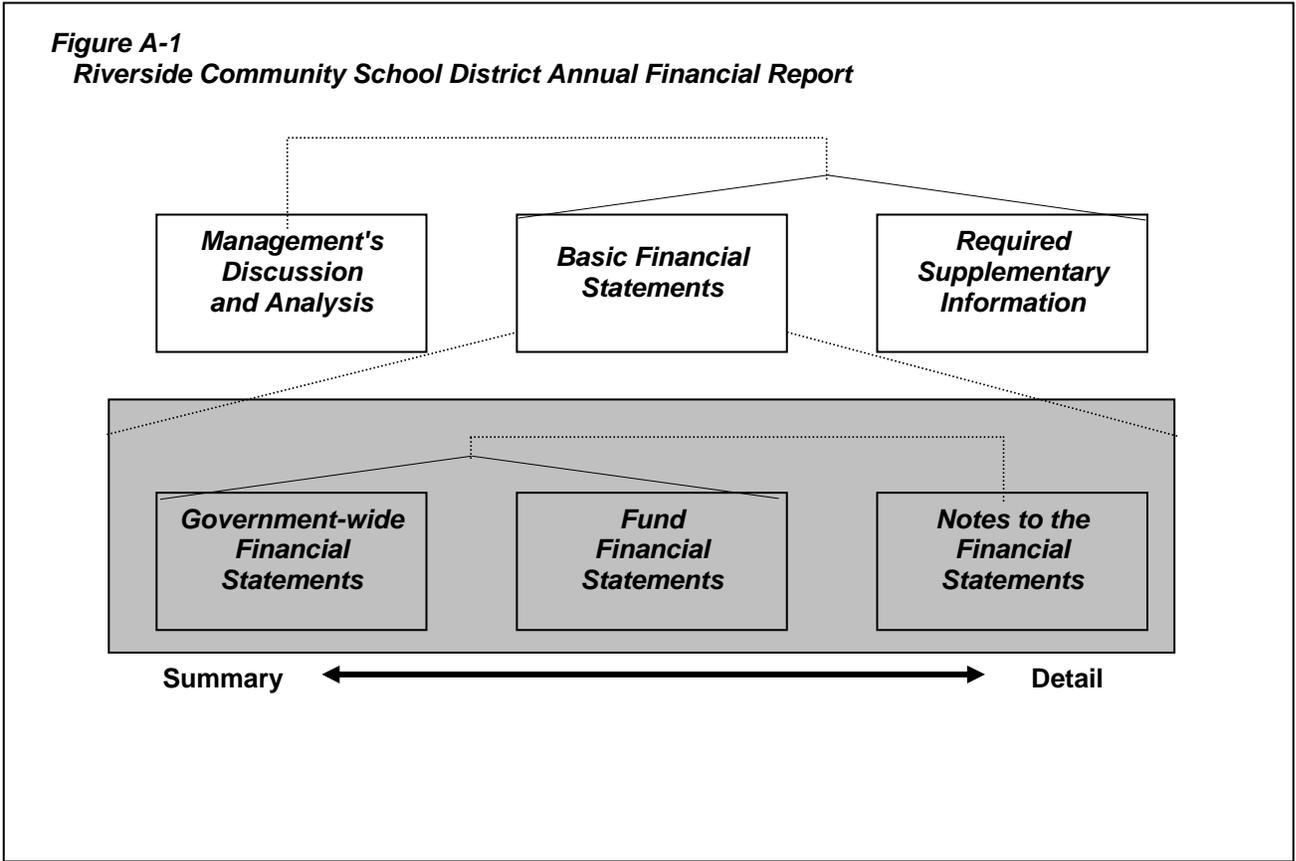


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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 net assets, 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, 2006 compared to June 30, 2005.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,756,563	6,917,859	21,077	55,830	5,777,640	6,973,689	21%
Capital assets	2,599,384	2,854,104	16,008	13,357	2,615,392	2,867,461	10%
<b>Total assets</b>	<b>8,355,947</b>	<b>9,771,963</b>	<b>37,085</b>	<b>69,187</b>	<b>8,393,032</b>	<b>9,841,150</b>	<b>13%</b>
Long-term liabilities	-	9,285	-	-	-	9,285	0%
Other liabilities	3,141,994	4,345,590	5,737	14,410	3,147,731	4,360,000	39%
<b>Total liabilities</b>	<b>3,141,994</b>	<b>4,354,875</b>	<b>5,737</b>	<b>14,410</b>	<b>3,147,731</b>	<b>4,369,285</b>	<b>39%</b>
Net Assets:							
Invested in capital assets, net of related debt	2,599,384	2,854,104	16,008	13,357	2,615,392	2,867,461	10%
Restricted	1,807,716	1,992,633	-	-	1,807,716	1,992,633	10%
Unrestricted	806,853	570,351	15,340	41,420	822,193	611,771	-26%
<b>TOTAL NET ASSETS</b>	<b>5,213,953</b>	<b>5,417,088</b>	<b>31,348</b>	<b>54,777</b>	<b>5,245,301</b>	<b>5,471,865</b>	<b>4%</b>

The District's combined net assets increased by nearly 4%, or approximately \$226,564, 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 \$184,917 or 10% over the prior year. The increase was primarily a result of sales tax revenues that are being saved for future capital 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 \$210,422, or 26%. 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, 2006 and 2005.

Figure A-4

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	367,391	493,086	167,163	201,000	534,554	694,086	30%
Operating grants & contributions	706,107	664,506	106,284	142,039	812,391	806,545	-1%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,965,424	1,992,878	-	-	1,965,424	1,992,878	1%
Income Surtax	266,658	307,718	-	-	266,658	307,718	15%
Local option sales tax	508,225	582,334	-	-	508,225	582,334	15%
Unrestricted state grants	2,428,129	2,351,633	-	-	2,428,129	2,351,633	-3%
Unrestricted investment earnings	42,214	80,101	-	310	42,214	80,411	90%
Other revenue	7,358	-	-	-	7,358	-	-100%
<b>Total Revenues</b>	<b>6,291,506</b>	<b>6,472,256</b>	<b>273,447</b>	<b>343,349</b>	<b>6,564,953</b>	<b>6,815,605</b>	<b>4%</b>
Expenses:							
Instruction	4,050,745	4,036,610	-	-	4,050,745	4,036,610	0%
Support services	1,536,858	1,766,548	-	-	1,536,858	1,766,548	15%
Non-instructional programs	1,400	50,268	293,718	319,920	295,118	370,188	25%
Other expenditures	415,314	415,695	-	-	415,314	415,695	0%
<b>Total expenses</b>	<b>6,004,317</b>	<b>6,269,121</b>	<b>293,718</b>	<b>319,920</b>	<b>6,298,035</b>	<b>6,589,041</b>	<b>5%</b>
<b>Change in net assets before Transfers</b>	<b>287,189</b>	<b>203,135</b>	<b>(20,271)</b>	<b>23,429</b>	<b>266,918</b>	<b>226,564</b>	<b>-15%</b>
Transfers	(9,597)	-	9,597	-	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>277,592</b>	<b>203,135</b>	<b>(10,674)</b>	<b>23,429</b>	<b>266,918</b>	<b>226,564</b>	<b>-15%</b>
Net assets beginning of year	4,936,361	5,417,088	42,022	31,348	4,978,383	5,471,865	4%
Net assets end of year	<b>5,213,953</b>	<b>5,025,088</b>	<b>31,348</b>	<b>54,777</b>	<b>5,245,301</b>	<b>5,079,865</b>	<b>-3%</b>

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$6,472,256 and expenses were \$6,269,121. 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 2006 \$</b>	<b>Net Cost of Services 2005 \$</b>	<b>Net Cost of Services 2006 \$</b>
Instruction	4,050,745	4,036,610	3,177,905	3,288,414
Support Services	1,536,858	1,766,548	1,536,161	1,556,315
Non-instructional Programs	1,400	50,268	1,400	50,268
Other Expenses	415,314	415,695	215,353	216,532
<b>TOTAL</b>	<b>6,004,317</b>	<b>6,269,121</b>	<b>4,930,819</b>	<b>5,111,529</b>

- The cost financed by users of the District's programs was \$493,086.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$664,506.
- The net cost of governmental activities was financed with \$2,882,930 in property and other taxes and \$2,351,633 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$343,349 and expenses were \$319,920. The District's business type activities include the School Nutrition Fund and Daycare 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 \$2,275,722, below last year's ending fund balances of \$2,336,481.

## **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 \$528,765 to \$280,328, 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 2006 ended with a balance of \$1,597,333. This balance must be used for future capital improvements and equipment.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$31,348 at June 30, 2005 to \$25,154 at June 30, 2006. No significant changes were made in the School Nutrition Program in fiscal year 2006.

Riverside Community Schools changed the organization of their day care program from one that was shared by the District and the community to one that was completely administered by the District.

## **BUDGETARY HIGHLIGHTS**

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

Total expenditures 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 \$145,908 less than budgeted receipts. The most significant variance resulted from the District receiving less in intermediate aid than originally anticipated.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, the District had invested \$2.9 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 \$187,547.

The original cost of the District's capital assets was \$8.5 million. Governmental funds account for \$8.47 million, with the remainder of \$.03 million accounted for in the Proprietary, School Nutrition Fund.

Construction in progress includes \$392,000 of work completed on a \$521,612 roof replacement project. The remaining balance of the construction will be paid when the project is completed.

**Figure A-6**

**Capital Assets (net of depreciation)**

	Governmental		Business type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	392,000	-	-	-	392,000	0%
Buildings	2,074,082	1,991,119	-	-	2,074,082	1,991,119	-4%
Improvements	290,493	249,233	-	-	290,493	249,233	-14%
Equipment & Furniture	224,809	211,752	16,008	13,357	240,817	225,109	-7%
<b>TOTAL</b>	<u>2,599,384</u>	<u>2,854,104</u>	<u>16,008</u>	<u>13,357</u>	<u>2,615,392</u>	<u>2,867,461</u>	<u>10%</u>

**Long-Term Debt**

The district had no long term debt at June 20, 2006 but did have \$9,285 long-term liability for early retirement at June 30, 2006/

**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 2006 enrollment decreased by three students. This drop in enrollment will decrease the District's funding for fiscal year 2008.
- 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 2007. 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 Tim Blum, Business Manager/Board Treasurer, Riverside Community School District, 330 Pleasant St, Carson, IA 51525.

## BASIC FINANCIAL STATEMENTS

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	1,085,795	-	1,085,795
Other	3,104,382	39,811	3,144,193
Receivables:			
Property tax:			
Delinquent	25,355	-	25,355
Succeeding year	2,256,665	-	2,256,665
Accounts	9,557	264	9,821
Accrued interest:			
ISCAP	9,788	-	9,788
Due from other governments	426,317	-	426,317
Inventories	-	15,755	15,755
Capital assets, net of accumulated depreciation	2,854,104	13,357	2,867,461
<b>Total assets</b>	<b>9,771,963</b>	<b>69,187</b>	<b>9,841,150</b>
<b>Liabilities</b>			
Accounts payable	476,767	63	476,830
Salaries and benefits payable	512,727	10,091	522,818
Deferred revenue:			
Succeeding year property tax	2,256,665	-	2,256,665
Other	-	4,256	4,256
ISCAP warrants payable	1,082,000	-	1,082,000
ISCAP accrued interest payable	9,374	-	9,374
ISCAP premium	8,057	-	8,057
Long-term liabilities:			
Portion due within one year:			
Termination Benefits	9,285	-	9,285
<b>Total liabilities</b>	<b>4,354,875</b>	<b>14,410</b>	<b>4,369,285</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,854,104	13,357	2,867,461
Restricted for:			
Gifted and talented program	6,524	-	6,524
Management levy	229,918	-	229,918
Capital Outlay	1,701,963	-	1,701,963
Other special revenue purposes	54,228	-	54,228
Unrestricted	570,351	41,420	611,771
<b>Total net assets</b>	<b>5,417,088</b>	<b>54,777</b>	<b>5,471,865</b>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2006

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular instruction	2,395,806	120,381	266,162	-
Special instruction	830,959	36,151	53,469	-
Other instruction	809,845	257,654	14,379	-
	<u>4,036,610</u>	<u>414,186</u>	<u>334,010</u>	<u>-</u>
Support services:				
Student services	184,844	-	40,845	-
Instructional staff services	144,133	78,294	88,960	-
Administration services	594,950	-	1,528	-
Operation and maintenance of plant services	472,249	-	-	-
Transportation services	370,372	606	-	-
	<u>1,766,548</u>	<u>78,900</u>	<u>131,333</u>	<u>-</u>
Non-instructional programs	<u>50,268</u>	-	-	-
Other expenditures:				
Facilities acquisition	116,966	-	-	-
AEA flowthrough	199,163	-	199,163	-
Depreciation (unallocated)*	99,566	-	-	-
	<u>415,695</u>	<u>-</u>	<u>199,163</u>	<u>-</u>
Total governmental activities	<u>6,269,121</u>	<u>493,086</u>	<u>664,506</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	270,839	153,350	111,039	-
Daycare	49,081	47,650	31,000	-
Total business-type activities	<u>319,920</u>	<u>201,000</u>	<u>142,039</u>	<u>-</u>
Total	<u>6,589,041</u>	<u>694,086</u>	<u>806,545</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				
Total general revenues				

**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, 2006

<u>Net (Expense) Revenue and Changes in Net</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(2,009,263)	-	(2,009,263)
(741,339)	-	(741,339)
(537,812)	-	(537,812)
<u>(3,288,414)</u>	<u>-</u>	<u>(3,288,414)</u>
(143,999)	-	(143,999)
23,121	-	23,121
(593,422)	-	(593,422)
(472,249)	-	(472,249)
(369,766)	-	(369,766)
<u>(1,556,315)</u>	<u>-</u>	<u>(1,556,315)</u>
<u>(50,268)</u>	<u>-</u>	<u>(50,268)</u>
(116,966)	-	(116,966)
-	-	-
(99,566)	-	(99,566)
<u>(216,532)</u>	<u>-</u>	<u>(216,532)</u>
<u>(5,111,529)</u>	<u>-</u>	<u>(5,111,529)</u>
-	(6,450)	(6,450)
-	29,569	29,569
-	23,119	23,119
<u>(5,111,529)</u>	<u>23,119</u>	<u>(5,088,410)</u>
1,922,863	-	1,922,863
70,015	-	70,015
307,718	-	307,718
582,334	-	582,334
2,351,633	-	2,351,633
80,101	310	80,411
<u>5,314,664</u>	<u>310</u>	<u>5,314,974</u>
203,135	23,429	226,564
<u>5,213,953</u>	<u>31,348</u>	<u>5,245,301</u>
<u>5,417,088</u>	<u>54,777</u>	<u>5,471,865</u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2006

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	1,085,795	-	-	1,085,795
Other	809,559	1,900,023	364,176	3,073,758
Receivables:				
Property tax:				
Delinquent	23,391	-	1,964	25,355
Succeeding year	2,086,303	-	170,362	2,256,665
Accounts	-	-	9,557	9,557
Accrued interest - ISCAP	9,788	-	-	9,788
Interfund receivable	-	-	52,737	52,737
Due from other governments	337,007	89,310	-	426,317
<b>Total assets</b>	<b>4,351,843</b>	<b>1,989,333</b>	<b>598,796</b>	<b>6,939,972</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	54,344	392,000	30,373	476,717
Salaries and benefits payable	512,727	-	-	512,727
Interfund payable	52,737	-	-	52,737
ISCAP warrants payable	1,082,000	-	-	1,082,000
ISCAP interest payable	9,374	-	-	9,374
ISCAP premium	8,057	-	-	8,057
Deferred revenue:				
Succeeding year property tax	2,086,303	-	170,362	2,256,665
Other	265,923	-	-	265,923
Other current liabilities	50	-	-	50
Total liabilities	<u>4,071,515</u>	<u>392,000</u>	<u>200,735</u>	<u>4,664,250</u>
Fund balances:				
Reserved for:				
Gifted and talented program	6,524	-	-	6,524
Unreserved reported in:				
General fund	273,804	-	-	273,804
Special revenue funds	-	-	398,061	398,061
Capital projects funds	-	1,597,333	-	1,597,333
Total fund balances	<u>280,328</u>	<u>1,597,333</u>	<u>398,061</u>	<u>2,275,722</u>
<b>Total liabilities and fund balances</b>	<b>4,351,843</b>	<b>1,989,333</b>	<b>598,796</b>	<b>6,939,972</b>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,275,722
<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.	2,854,104
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	265,923
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.	30,624
Long-term liabilities, including termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(9,285)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>5,417,088</u></u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Func	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,150,122	582,334	160,042	2,892,498
Tuition	110,783	-	-	110,783
Other	118,394	42,183	264,377	424,954
State sources	2,822,475	-	98	2,822,573
Federal sources	152,721	-	-	152,721
Total revenues	<u>5,354,495</u>	<u>624,517</u>	<u>424,517</u>	<u>6,403,529</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,291,031	-	89,335	2,380,366
Special instruction	830,959	-	-	830,959
Other instruction	551,089	-	258,756	809,845
	<u>3,673,079</u>	<u>-</u>	<u>348,091</u>	<u>4,021,170</u>
Support services:				
Student services	184,844	-	-	184,844
Instructional staff services	144,133	-	-	144,133
Administration services	598,364	-	-	598,364
Operation and maintenance of plant services	472,040	-	209	472,249
Transportation services	291,917	-	68,143	360,060
	<u>1,691,298</u>	<u>-</u>	<u>68,352</u>	<u>1,759,650</u>
Other expenditures:				
Facilities acquisition	-	405,490	78,815	484,305
AEA flowthrough	199,163	-	-	199,163
	<u>199,163</u>	<u>405,490</u>	<u>78,815</u>	<u>683,468</u>
Total expenditures	<u>5,563,540</u>	<u>405,490</u>	<u>495,258</u>	<u>6,464,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(209,045)</u>	<u>219,027</u>	<u>(70,741)</u>	<u>(60,759)</u>
Other financing sources (uses):				
Operating transfers in	-	-	39,392	39,392
Operating transfers out	(39,392)	-	-	(39,392)
Total other financing sources (uses)	<u>(39,392)</u>	<u>-</u>	<u>39,392</u>	<u>-</u>
Net change in fund balances	(248,437)	219,027	(31,349)	(60,759)
Fund balances beginning of year	528,765	1,378,306	429,410	2,336,481
Fund balances end of year	<u>280,328</u>	<u>1,597,333</u>	<u>398,061</u>	<u>2,275,722</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, 2006

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(60,759)
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
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 and loss on disposal of assets in the year as follows:		
Disposal of assets	(24,661)	
Expenditures for capital assets	463,016	
Depreciation expense	<u>(183,635)</u>	254,720
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.		(9,567)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination Benefits		(9,285)
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>28,026</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>203,135</u></u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2006

	Nonmajor Enterprise Funds <u>          </u> \$	Governmental Activities - Internal Service Fund <u>          </u> \$
<b>Assets</b>		
Cash and cash equivalents	39,811	30,624
Accounts receivable	264	-
Inventories	15,755	-
Capital assets, net of accumulated depreciation	<u>13,357</u>	<u>-</u>
<b>Total assets</b>	<u>69,187</u>	<u>30,624</u>
<b>Liabilities</b>		
Accounts payable	63	-
Salaries and benefits payable	10,091	-
Deferred revenue	<u>4,256</u>	<u>-</u>
<b>Total liabilities</b>	<u>14,410</u>	<u>-</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	13,357	-
Unrestricted	<u>41,420</u>	<u>30,624</u>
<b>Total net assets</b>	<u><u>54,777</u></u>	<u><u>30,624</u></u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	<u>\$</u>	<u>\$</u>
Operating revenue:		
Local sources:		
Charges for service	<u>201,000</u>	<u>78,294</u>
Operating expenses:		
Non-instructional programs:		
Salaries	142,538	-
Benefits	50,256	-
Purchased services	556	-
Supplies	122,658	-
Depreciation	3,912	-
Other	-	50,268
	<u>319,920</u>	<u>50,268</u>
Operating gain (loss)	<u>(118,920)</u>	<u>28,026</u>
Non-operating revenue:		
State sources	3,524	-
Federal sources	138,515	-
Interest income	310	-
Total non-operating revenue	<u>142,349</u>	<u>-</u>
Change in net assets	23,429	28,026
Net assets beginning of year	<u>31,348</u>	<u>2,598</u>
Net assets end of year	<u><u>54,777</u></u>	<u><u>30,624</u></u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2006

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	<u>\$</u>	<u>\$</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	157,081	78,294
Cash received from daycare services	47,650	-
Cash payments to employees for services	(186,068)	-
Cash payments to suppliers for goods or services	(116,876)	(50,268)
Net cash used by operating activities	<u>(98,213)</u>	<u>28,026</u>
Cash flows from non-capital financing activities:		
State grants received	3,524	-
Federal grants received	118,994	-
Net cash provided by non-capital financing activities	<u>122,518</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,261)	-
Cash flows from investing activities:		
Interest on investments	310	-
Net increase (decrease) in cash and cash equivalents	23,354	28,026
Cash and cash equivalents at beginning of year	<u>16,457</u>	<u>2,598</u>
Cash and cash equivalents at end of year	<u><u>39,811</u></u>	<u><u>30,624</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(118,920)	28,026
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	19,521	-
Depreciation	3,912	-
Decrease (increase) in inventories	(13,223)	-
Decrease (increase) in accounts receivable	1,824	-
(Decrease) increase in accounts payable	40	-
(Decrease) increase in salaries and benefits payable	6,726	-
(Decrease) increase in deferred revenue	1,907	-
Net cash used in operating activities	<u>(98,213)</u>	<u>28,026</u>

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

During the year ended June 30, 2006, the District received \$19,521 of federal commodities.

# RIVERSIDE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2006

### 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 funds include the Nonmajor Enterprise, School Nutrition and Daycare Funds. These funds are used to account for the food service and day care 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, 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.

<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, 2006, expenditures did not exceed the amounts budgeted.

### **2. Cash and Pooled 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

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

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Governmental:		
Student Activity Fund	General Fund	13,344
Management Fund	General Fund	17,906
Physical Plant and Equipment Fund	General Fund	21,487

#### 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
		\$
Nonmajor Governmental:		
Management Fund	General Fund	17,906
Physical Plant and Equipment Fund	General Fund	21,486

#### 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, 2006, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2005-06B	1/26/06	1/26/07	473,647	9,598	472,000	9,145
2006-07A	6/26/06	6/26/07	612,148	190	610,000	229
Total			<u>1,085,795</u>	<u>9,788</u>	<u>1,082,000</u>	<u>9,374</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:

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:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2005-06B	4.50	4.772
2006-07A	4.50	5.676

## 6. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	-	392,000	-	392,000
Land	10,000	-	-	10,000
Total not being depreciated	<u>10,000</u>	<u>392,000</u>	<u>-</u>	<u>402,000</u>
Capital assets being depreciated:				
Buildings	6,625,396	-	-	6,625,396
Improvements other than buildings	332,060	-	25,109	306,951
Furniture and equipment	1,070,846	71,016	-	1,141,862
Total capital assets being deprec.	<u>8,028,302</u>	<u>71,016</u>	<u>25,109</u>	<u>8,074,209</u>
Less accumulated depreciation for:				
Buildings	4,551,314	82,963	-	4,634,277
Improvements other than buildings	41,567	16,603	452	57,718
Furniture and equipment	846,037	84,069	(4)	930,110
Total accumulated depreciation	<u>5,438,918</u>	<u>183,635</u>	<u>448</u>	<u>5,622,105</u>
Total capital assets being depreciated, net	<u>2,589,384</u>	<u>(112,619)</u>	<u>24,661</u>	<u>2,452,104</u>
Governmental activities capital assets, net	<u>2,599,384</u>	<u>279,381</u>	<u>24,661</u>	<u>2,854,104</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	47,303	1,261	-	48,564
Less accumulated depreciation	<u>31,295</u>	<u>3,912</u>	<u>-</u>	<u>35,207</u>
Business type activities capital assets, net	<u>16,008</u>	<u>(2,651)</u>	<u>-</u>	<u>13,357</u>

Depreciation expense was charged to the following functions:	\$
Governmental activities:	
Instruction:	
Regular	11,706
Support Services:	
Administration	1,846
Transportation	70,517
	<hr/>
	84,060
Unallocated depreciation	<hr/>
	99,566
	<hr/>
Total depreciation expense – governmental activities	<u>183,635</u>
Business type activities:	
Food services	<u>3,912</u>

## 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year \$	Additions \$	Reductions \$	Balance End of Year \$	Due Within One Year \$
Termination benefits	<u>-</u>	<u>9,285</u>	<u>-</u>	<u>9,285</u>	<u>9,285</u>

### Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2006, the District has obligations to two participants with a total liability of \$9,285. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$0.

### General Obligation Bonds Payable

The District had no bond indebtedness at June 30, 2006.

## 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, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$195,803, \$192,190 and \$187,320 respectively, equal to the required contributions for each year.

## **9. Risk Management**

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 \$199,163 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.

## **11. Construction Commitment**

The District has entered into a contract totaling \$521,612 for a roof replacement. As of June 30, 2006 costs of \$392,000 had been incurred against the contracts. The balance remaining at June 30, 2006 will be paid as work on the project progresses.

## **12. Contingency**

There is an outstanding lawsuit against the district involving a former employee. The suit is being handled by the District's insurance company. The amount and the outcome is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,428,235	201,310	3,629,545	3,562,124	3,562,124	67,421
Intermediate sources	-	-	-	165,000	165,000	(165,000)
State sources	2,822,573	3,524	2,826,097	2,864,662	2,864,662	(38,565)
Federal sources	152,721	138,515	291,236	301,000	301,000	(9,764)
Total revenues	<u>6,403,529</u>	<u>343,349</u>	<u>6,746,878</u>	<u>6,892,786</u>	<u>6,892,786</u>	<u>(145,908)</u>
Expenditures:						
Instruction	4,021,170	-	4,021,170	5,165,833	5,165,833	1,144,663
Support services	1,759,650	-	1,759,650	1,905,000	1,905,000	145,350
Non-instructional programs	-	319,920	319,920	397,055	397,055	77,135
Other expenditures	683,468	-	683,468	1,872,444	1,872,444	1,188,976
Total expenditures	<u>6,464,288</u>	<u>319,920</u>	<u>6,784,208</u>	<u>9,340,332</u>	<u>9,340,332</u>	<u>2,556,124</u>
Excess (deficiency) of revenues over (under) expenditures	(60,759)	23,429	(37,330)	(2,447,546)	(2,447,546)	2,410,216
Balance beginning of year	<u>2,336,481</u>	<u>31,348</u>	<u>2,367,829</u>	<u>2,750,467</u>	<u>2,750,467</u>	<u>(382,638)</u>
Balance end of year	<u><u>2,275,722</u></u>	<u><u>54,777</u></u>	<u><u>2,330,499</u></u>	<u><u>302,921</u></u>	<u><u>302,921</u></u>	<u><u>2,027,578</u></u>

## RIVERSIDE 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 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 GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the budget.

OTHER SUPPLEMENTARY INFORMATION

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Cash and pooled investments	220,148	61,481	82,547	364,176
Receivables:				
Property tax:				
Delinquent	1,149	-	815	1,964
Succeeding year	95,000	-	75,362	170,362
Accounts	-	9,557	-	9,557
Interfund receivable	17,906	13,344	21,487	52,737
<b>Total assets</b>	<b>334,203</b>	<b>84,382</b>	<b>180,211</b>	<b>598,796</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	30,154	219	30,373
Deferred revenue:				
Succeeding year property tax	95,000	-	75,362	170,362
Total liabilities	95,000	30,154	75,581	200,735
Fund balances:				
Unreserved reported in:				
Special revenue funds	239,203	54,228	104,630	398,061
<b>Total liabilities and fund balances</b>	<b>334,203</b>	<b>84,382</b>	<b>180,211</b>	<b>598,796</b>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	90,026	-	70,016	160,042
Other	4,888	257,654	1,835	264,377
State sources	54	-	44	98
Total revenues	<u>94,968</u>	<u>257,654</u>	<u>71,895</u>	<u>424,517</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	89,335	-	-	89,335
Other instruction	-	258,756	-	258,756
Operation and maintenance of plant services	-	-	209	209
Transportation services	-	2,137	66,006	68,143
Other expenditures:				
Facilities acquisition	-	-	78,815	78,815
Total expenditures	<u>89,335</u>	<u>260,893</u>	<u>145,030</u>	<u>495,258</u>
Excess (deficiency) of revenues over (under) expenditures	5,633	(3,239)	(73,135)	(70,741)
Other financing sources (uses):				
Operating transfers in	<u>17,906</u>	-	<u>21,486</u>	<u>39,392</u>
Net change in fund balances	23,539	(3,239)	(51,649)	(31,349)
Fund balances beginning of year	<u>215,664</u>	<u>57,467</u>	<u>156,279</u>	<u>429,410</u>
Fund balances end of year	<u><u>239,203</u></u>	<u><u>54,228</u></u>	<u><u>104,630</u></u>	<u><u>398,061</u></u>

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2006

	<u>Nonmajor Enterprise Funds</u>		
	<u>School</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Daycare</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Assets</b>			
Cash and cash equivalents	3,358	36,453	39,811
Accounts receivable	264	-	264
Inventories	15,755	-	15,755
Capital assets, net of accumulated depreciation	13,357	-	13,357
	<u>32,734</u>	<u>36,453</u>	<u>69,187</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Accounts payable	4	59	63
Salaries and benefits payable	3,320	6,771	10,091
Deferred revenue	4,256	-	4,256
	<u>7,580</u>	<u>6,830</u>	<u>14,410</u>
<b>Total liabilities</b>			
<b>Net assets</b>			
Invested in capital assets, net of related debt	13,357	-	13,357
Unrestricted	11,797	29,623	41,420
	<u>25,154</u>	<u>29,623</u>	<u>54,777</u>
<b>Total net assets</b>			

See accompanying independent auditor's report.

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenue, Expenses, and Changes in Net Assets  
Nonmajor Enterprise Funds

Year ended June 30, 2006

	NonMajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	153,350	47,650	201,000
Operating expenses:			
Non-instructional programs:			
Salaries	106,722	35,816	142,538
Benefits	40,951	9,305	50,256
Purchased services	453	103	556
Supplies	118,801	3,857	122,658
Depreciation	3,912	-	3,912
	270,839	49,081	319,920
Operating gain (loss)	(117,489)	(1,431)	(118,920)
Non-operating revenue:			
State sources	3,524	-	3,524
Federal sources	107,515	31,000	138,515
Interest income	256	54	310
Total non-operating revenue	111,295	31,054	142,349
Change in net assets	(6,194)	29,623	23,429
Net assets beginning of year	31,348	-	31,348
Net assets end of year	25,154	29,623	54,777

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2006

	NonMajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	157,081	-	157,081
Cash received from daycare services	-	47,650	47,650
Cash payments to employees for services	(147,718)	(38,350)	(186,068)
Cash payments to suppliers for goods or services	(112,975)	(3,901)	(116,876)
Net cash used by operating activities	<u>(103,612)</u>	<u>5,399</u>	<u>(98,213)</u>
Cash flows from non-capital financing activities:			
State grants received	3,524	-	3,524
Federal grants received	87,994	31,000	118,994
Net cash provided by non-capital financing activities	<u>91,518</u>	<u>31,000</u>	<u>122,518</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,261)</u>	<u>-</u>	<u>(1,261)</u>
Cash flows from investing activities:			
Interest on investments	<u>256</u>	<u>54</u>	<u>310</u>
Net increase (decrease) in cash and cash equivalents	(13,099)	36,453	23,354
Cash and cash equivalents at beginning of year	<u>16,457</u>	<u>-</u>	<u>16,457</u>
Cash and cash equivalents at end of year	<u><u>3,358</u></u>	<u><u>36,453</u></u>	<u><u>39,811</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(117,489)	(1,431)	(118,920)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	19,521	-	19,521
Depreciation	3,912	-	3,912
Decrease (increase) in inventories	(13,223)	-	(13,223)
Decrease (increase) in accounts receivable	1,824	-	1,824
(Decrease) increase in accounts payable	(19)	59	40
(Decrease) increase in salaries and benefits payable	(45)	6,771	6,726
(Decrease) increase in deferred revenue	1,907	-	1,907
Net cash used in operating activities	<u>(103,612)</u>	<u>5,399</u>	<u>(98,213)</u>

## RIVERSIDE 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>
	\$	\$	\$	\$
5th grade project	1,138	877	1,075	940
Baseball camp	480	-	-	480
Dance team	1,295	7,671	8,340	626
FFA	3,443	10,106	9,268	4,281
US West-Rold	20	-	-	20
1st grade-US West	154	-	-	154
MS student activities	1,916	23,934	26,312	(462)
Middle school library	879	13	500	392
FCCLA	737	4,705	4,625	817
ITAG grant	5	-	-	5
6th grade opera	183	-	155	28
Girls soccer	-	4,464	4,464	-
Annual	5,846	7,427	11,968	1,305
Volleyball camp	303	350	572	81
Athletics	(13,772)	71,437	57,669	(4)
Band	7,346	3,150	2,143	8,353
Football cheerleaders	2,855	2,540	2,148	3,247
HS pop fund	6,752	255	3,174	3,833
Class of 2005	914	-	60	854
DC trip	12,463	33,879	45,032	1,310
Basketball camp	63	-	-	63
Class of 2006	3,128	776	3,054	850
Class of 2009	-	310	-	310
Inter't club	81	-	-	81
Day care	8,179	(8,179)	-	-
Student needs (civic donations)	3,028	5,463	5,044	3,447
JH band festival	371	683	459	595
MS student council	4,742	12,275	9,265	7,752
Library	175	-	-	175
North book fair	3,029	8,880	7,284	4,625
Preschool snack	(23)	370	342	5
R club	710	1,089	498	1,301
HS recognition area	1,255	982	1,288	949
Spring play	54	-	-	54
Bulldog enterprises	343	-	-	343
Special ed. Needs (Putnam classroom)	663	312	385	590
8th grade team	1,277	800	800	1,277
Softball clinic	1,335	-	-	1,335
Speech	530	-	54	476

## RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
HS student council	1,093	1,925	2,246	772
Wrestling cheerleader	-	551	111	440
Girls basketball camp	923	-	900	23
PC TAG camp	(1,257)	17,744	11,940	4,547
Vocal	484	437	516	405
Jump rope for heart	516	1,553	1,553	516
Art club	164	155	168	151
Class of 2008	200	872	325	747
Cheerleaders/BB	-	551	-	551
7th grade team	(367)	1,459	895	197
6th grade team	1,429	893	879	1,443
Outdoor classroom	128	-	-	128
MS vocal festival	568	2,771	2,402	937
Musical	258	1,968	2,226	-
Class of 2007	1,384	10,565	10,512	1,437
Cash	-	-	1,301	(1,301)
Beginning accruals	(9,953)	(1,260)	(11,213)	-
Ending accruals	-	22,901	30,154	(7,253)
	<u>57,467</u>	<u>257,654</u>	<u>260,893</u>	<u>54,228</u>
Total	<u>57,467</u>	<u>257,654</u>	<u>260,893</u>	<u>54,228</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			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,892,498	2,729,667	3,312,609	3,202,551
Tuition	110,783	113,448	106,633	99,864
Other	424,954	296,157	129,520	113,020
State sources	2,822,573	2,990,315	2,628,875	2,614,564
Federal sources	152,721	143,921	307,735	154,128
Total revenues	<u>6,403,529</u>	<u>6,273,508</u>	<u>6,485,372</u>	<u>6,184,127</u>
Expenditures:				
Instruction:				
Regular instruction	2,380,366	2,545,428	2,555,949	2,485,412
Special instruction	830,959	883,740	874,088	775,009
Other instruction	809,845	622,189	597,986	517,643
Support services:				
Student services	184,844	190,846	190,605	190,700
Instructional staff services	144,133	63,720	68,203	76,897
Administration services	598,364	586,972	548,702	528,546
Operation and maintenance of plant services	472,249	442,387	406,226	325,644
Transportation services	360,060	271,719	298,369	347,073
Non-instructional programs	-	10,997	1,468	-
Other expenditures:				
Facilities acquisition	484,305	115,785	178,617	101,177
Long-term debt:				
Principal	-	-	7,977	15,349
Interest and other charges	-	-	209	1,024
AEA flowthrough	199,163	199,961	201,024	214,659
Total expenditures	<u>6,464,288</u>	<u>5,933,744</u>	<u>5,929,423</u>	<u>5,579,133</u>

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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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 15, 2006. 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 item 06-I-A is a material weakness.

### 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, 2006 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 15, 2006

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-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.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, did not exceed the amounts budgeted.

06-II-B 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.

06-II-C 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.

06-II-D 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	12,795

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

06-II-E 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.

06-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

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

06-II-H 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.

06-II-I Certified Annual Report (CAR): The audit field work was performed prior to the due date of the Certified Annual Report.

06-II-J Financial Condition: The Student Activity Fund has a few accounts with deficit balances at June 30, 2006.

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.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

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

06-II-K 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.

06-II-L 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.