

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District, Correctionville, Iowa, as of and for the year ended June 30, 2007, 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 River Valley Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2008, on our consideration of River Valley 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 10 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 River Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (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

March 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

River Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,117,701 in fiscal 2006 to \$4,174,246 in fiscal 2007, while General Fund expenditures increased from \$3,806,638 in fiscal 2006 to \$4,123,001 in fiscal 2007. The District's General Fund balance increased from \$1,087,703 in fiscal 2006 to \$1,138,948 in fiscal 2007, a 5% increase.
- The increase in General Fund revenues was attributable to an increase in tuition received (open enrollment and special education) and interest received on investment. The increase in expenditures was attributable to increase in negotiated salaries and benefits, increase in instructional expenses and the purchase of a handicapped accessible mini bus and school bus out of the General Fund. The increase in the General Fund balance of \$51,245 was due simply to more revenues taken in that expenditures paid out for the year.

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 River Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report River Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which River Valley 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.

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 three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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 two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. 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.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	8,054,389	7,759,328	26,065	28,857	8,080,454	7,788,195	4%
Capital assets	6,025,596	5,947,771	55,966	70,099	6,081,562	6,017,870	1%
Total assets	14,079,985	13,707,099	82,031	98,956	14,162,016	13,806,055	3%
Long-term liabilities	7,938,626	8,214,432	-	-	7,938,626	8,214,432	-3%
Other liabilities	2,219,504	2,231,433	885	577	2,220,389	2,232,010	-1%
Total liabilities	10,158,130	10,445,865	885	577	10,159,015	10,446,442	-3%
Net Assets:							
Invested in capital assets, net of related debt	1,925,596	1,572,771	55,966	70,099	1,981,562	1,642,870	21%
Restricted	707,573	423,834	-	-	707,573	423,834	67%
Unrestricted	1,288,686	1,264,629	25,180	28,280	1,313,866	1,292,909	2%
TOTAL NET ASSETS	3,921,855	3,261,234	81,146	98,379	4,003,001	3,359,613	19%

The District's combined net assets increased by nearly 19%, or approximately \$643,388, 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. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

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 \$283,739 or 67% over the prior year. The increase was primarily a result of decreased expenditures in the Local Option Sales Tax (Capital Projects) Fund due to the commit of the District to build a new bus barn in the near future.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$20,957, or 2%. This increase in unrestricted net assets was a result of the District reducing expenditures and therefore increasing carryover fund balance ending June 30, 2007.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	477,637	395,581	109,661	113,823	587,298	509,404	15%
Operating grants & contributions	611,931	717,654	140,209	119,864	752,140	837,518	-10%
Capital grants & contributions	151,985	37,016	-	-	151,985	37,016	311%
General Revenues:							
Property taxes	1,729,502	1,756,778	-	-	1,729,502	1,756,778	-2%
Income Surtax	183,750	205,624	-	-	183,750	205,624	-11%
Local option sales tax	344,823	289,306	-	-	344,823	289,306	19%
Unrestricted state grants	1,777,264	1,757,854	-	-	1,777,264	1,757,854	1%
Unrestricted investment earnings	92,987	48,844	199	-	93,186	48,844	91%
Other revenue	11,374	24,750	-	194	11,374	24,944	-54%
Total Revenues	5,381,253	5,233,407	250,069	233,881	5,631,322	5,467,288	3%
Expenses:							
Instruction	2,620,355	2,580,098	-	-	2,620,355	2,580,098	2%
Support services	1,379,455	1,344,664	-	-	1,379,455	1,344,664	3%
Non-instructional programs	-	4,082	267,302	250,175	267,302	254,257	5%
Other expenditures	720,822	630,770	-	-	720,822	630,770	14%
Total expenses	4,720,632	4,559,614	267,302	250,175	4,987,934	4,809,789	4%
Change in net assets before transfers	660,621	673,793	(17,233)	(16,294)	643,388	657,499	-2%
Loss on disposal of assets	-	(43,770)	-	-	-	(43,770)	
CHANGE IN NET ASSETS	660,621	630,023	(17,233)	(16,294)	643,388	613,729	5%
Net assets beginning of year	3,261,234	2,631,211	98,379	114,673	3,359,613	2,745,884	22%
Net assets end of year	3,921,855	3,261,234	81,146	98,379	4,003,001	3,359,613	19%

Property tax, surtax, local option sales tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,381,253 and expenses were \$4,720,632. Revenues increased by \$147,846 and are due to multiple reasons. The district received more revenue from tuition (open enrollment and special education); interest earned due to higher rates and larger investments; additional revenue from state sources due to increased funding of teacher quality compensation program and additional revenues from local option sales tax, indicating more dollars are being spent on taxable products in the counties within the district.

Expenditures increased by \$161,018 and due also to multiple reasons. Instruction costs increased due to negotiated salaries and benefits; support services increased due to purchase of a handicapped accessible mini bus and school bus out of the general fund and other expenditures increased due to long term debt interest. Even with the above increase in expenditures the district still remains within acceptable budgetary guidelines.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2007 \$	Total Cost of Services 2006 \$	Net Cost of Services 2007 \$	Net Cost of Services 2006 \$
Instruction	2,620,355	2,580,098	1,714,719	1,735,533
Support Services	1,379,455	1,344,664	1,351,404	1,290,794
Non-instructional Programs	-	4,082	-	4,082
Other Expenses	720,822	630,770	412,956	378,954
TOTAL	4,720,632	4,559,614	3,479,079	3,409,363

- The cost financed by users of the District's programs was \$477,637.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$611,931.
- The net cost of governmental activities was financed with \$2,258,075 in property and other taxes and \$1,777,264 in unrestricted state grants.

BUSINESS TYPE ACTIVITIES

Revenues for business type activities were \$250,069 and expenses were \$267,302. The District's business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,698,045, well above last year's ending fund balances of \$5,371,387.

Governmental Fund Highlights

The District's General Fund balance showed an increase of \$51,245. Growth in revenues of \$56,545 is primarily a combination of increase in tuition (open enrollment and special education); interest earned due to higher rates and larger investments and additional revenue from state sources due to increased funding of teacher quality compensation program.

Expenditures increase by \$316,363. Instruction costs increased due to negotiated salaries and benefits; support services increased due to purchase of a handicapped accessible mini bus and a school bus out of the general fund and other expenditures increased due to long term debt interest. Even with the above increase in expenditures the district still remains within acceptable budgetary guidelines.

- The Capital Projects Fund balance increased by \$215,898. Revenues exceeded expenditures by this amount thus increasing the fund balance to \$409,261.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$98,379 at June 30, 2006 to \$81,146 at June 30, 2007, representing a decrease of approximately 17%. For fiscal 2007, the District showed a decrease of \$4,167 in revenue from local sources (charges for services), received less state reimbursement dollars in the amount of \$14,664 for free and reduced meals served and had an increase in negotiated salaries, benefits and supplies purchased, all affecting the fund balance decrease of \$17,233.00.

BUDGETARY HIGHLIGHTS

The District's receipts were \$184,152 more than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted by \$811,819, due primarily to the District's budget for support services.

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 area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget and additional projects completed earlier than estimated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$6.08 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) This represents a net increase of 1% 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 \$259,938.

The changes in capital asset activity during the year were due to the purchase of a handicapped accessible mini bus and a new school bus.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2006
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	19,689	19,689			19,689	19,689	0
Construction in progress	70,618				70,618		0
Buildings	5,138,966	5,192,109			5,138,966	5,192,109	-1%
Improvements	390,266	416,469			390,266	416,469	-6%
Equipment & Furniture	406,057	319,504	55,966	70,099	462,023	389,603	19%
TOTAL	6,025,596	5,947,771	55,966	70,099	6,081,562	6,017,870	1%

Long-Term Debt

At June 30, 2007, the District had \$7,938,626 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2007	2006	Change
			2007-2006
	\$	\$	
General Obligation Bonds	7,930,000	8,205,000	-3%
Early Retirement	8,626	9,432	-9%
	<u>7,938,626</u>	<u>8,214,432</u>	<u>-3%</u>

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 2007 enrollment decreased by 13.0 students. This drop in enrollment will decrease the District's funding for fiscal year 2008.
- The District has begun to experience declining enrollment and the District projects continued declining enrollment thru 2009-2010 school year.
- Fiscal 2006 was the first year of a two-year contract with the River Valley Community Schools Education Teacher Association (RVEA). 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.
- The District has always made safety to our children a top priority. The district purchased a handicapped accessible mini bus and one new school bus out of the general fund.
- The District is proceeding with construction of a new transportation facility. The District will begin building after July 1, 2007 and the revenue generated through Local Option Sales Tax will be the source of funding.
- The District completed several improvement projects including resurfacing the elementary school floors with new carpet and epoxy flooring, installing a new fire alarm system at the Washta site and purchasing a new football scoreboard and softball bleachers for the Correctionville site.

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 Cynthia Dittmer, District Treasurer/Business Manager, River Valley Community Schools, 916 Hackberry St., Correctionville, IA 51016

BASIC FINANCIAL STATEMENTS

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
Other	2,159,408	23,371	2,182,779
Cash with fiscal agent	3,816,944	-	3,816,944
Receivables:			
Property tax:			
Delinquent	28,541	-	28,541
Succeeding year	1,749,319	-	1,749,319
Accounts	445	68	513
Unamortized bond issue costs	57,972	-	57,972
Due from other governments	241,760	-	241,760
Inventories	-	2,626	2,626
Capital assets, net of accumulated depreciation	6,025,596	55,966	6,081,562
Total assets	14,079,985	82,031	14,162,016
Liabilities			
Accounts payable	50,738	-	50,738
Salaries and benefits payable	335,056	-	335,056
Accrued interest payable	29,016	-	29,016
Deferred revenue:			
Succeeding year property tax	1,749,319	-	1,749,319
Other	-	885	885
Unamortized bond premium	55,375	-	55,375
Long-term liabilities			
Portion due within one year:			
General obligation bonds payable	290,000	-	290,000
Termination benefits	5,148	-	5,148
Portion due after one year:			
General obligation bonds payable	7,640,000	-	7,640,000
Termination benefits	3,478	-	3,478
Total liabilities	10,158,130	885	10,159,015
Net assets			
Invested in capital assets, net of related debt	1,925,596	55,966	1,981,562
Restricted for:			
Management levy	206,403	-	206,403
Physical plant and equipment levy	29,474	-	29,474
Other special revenue purposes	62,435	-	62,435
Local option sales tax capital projects	409,261	-	409,261
Unrestricted	1,288,686	25,180	1,313,866
Total net assets	3,921,855	81,146	4,003,001

See notes to financial statements.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>
			<u>Operating Grants, Contributions and Restricted Interest</u>
	\$	\$	\$
Governmental activities:			
Instruction:			
Regular	1,803,382	223,242	315,353
Special	446,991	126,121	28,331
Other	369,982	128,274	84,315
	<u>2,620,355</u>	<u>477,637</u>	<u>427,999</u>
Support services:			
Student	96,769	-	-
Instructional staff	140,435	-	28,051
Administration	480,869	-	-
Operation and maintenance of plant	392,928	-	-
Transportation	268,454	-	-
	<u>1,379,455</u>	<u>-</u>	<u>28,051</u>
Other expenditures:			
Facilities acquisition	49,320	-	-
Long-term debt interest	360,560	-	-
AEA flowthrough	155,881	-	155,881
Depreciation (unallocated)*	155,061	-	-
	<u>720,822</u>	<u>-</u>	<u>155,881</u>
Total governmental activities	<u>4,720,632</u>	<u>477,637</u>	<u>611,931</u>
Business type activities:			
Non-instructional programs:			
Food service operations	231,552	97,532	112,318
Preschool	35,750	12,129	27,891
Total business-type activities	<u>267,302</u>	<u>109,661</u>	<u>140,209</u>
Total	<u>4,987,934</u>	<u>587,298</u>	<u>752,140</u>
General Revenues:			
Property taxes levied for:			
General purposes			
Debt service			
Capital outlay			
Income surtax			
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

*This amount excludes the depreciation that is included in the direct expenses of the various programs.
See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
\$	\$	\$	\$
-	(1,264,787)	-	(1,264,787)
-	(292,539)	-	(292,539)
-	(157,393)	-	(157,393)
-	(1,714,719)	-	(1,714,719)
-	(96,769)	-	(96,769)
-	(112,384)	-	(112,384)
-	(480,869)	-	(480,869)
-	(392,928)	-	(392,928)
-	(268,454)	-	(268,454)
-	(1,351,404)	-	(1,351,404)
-	(49,320)	-	(49,320)
151,985	(208,575)	-	(208,575)
-	-	-	-
-	(155,061)	-	(155,061)
151,985	(412,956)	-	(412,956)
151,985	(3,479,079)	-	(3,479,079)
-	-	(21,702)	(21,702)
-	-	4,270	4,270
-	-	(17,432)	(17,432)
151,985	(3,479,079)	(17,432)	(3,496,511)
	1,255,674	-	1,255,674
	432,680	-	432,680
	41,148	-	41,148
	183,750	-	183,750
	344,823	-	344,823
	1,777,264	-	1,777,264
	92,987	199	93,186
	11,374	-	11,374
	4,139,700	199	4,139,899
	660,621	(17,233)	643,388
	3,261,234	98,379	3,359,613
	3,921,855	81,146	4,003,001

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
Other	1,435,710	18,900	704,798	2,159,408
Cash with fiscal agent	-	3,816,944	-	3,816,944
Receivables:				
Property tax:				
Delinquent	19,182	7,054	2,305	28,541
Succeeding year	1,227,615	405,185	116,519	1,749,319
Accounts	445	-	-	445
Due from other governments	181,926	-	59,834	241,760
	<u>2,864,878</u>	<u>4,248,083</u>	<u>883,456</u>	<u>7,996,417</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	-	50,738	50,738
Salaries and benefits payable	335,056	-	-	335,056
Deferred revenue:				
Succeeding year property tax	1,227,615	405,185	116,519	1,749,319
Other	163,259	-	-	163,259
Total liabilities	<u>1,725,930</u>	<u>405,185</u>	<u>167,257</u>	<u>2,298,372</u>
Fund balances:				
Reserved for:				
Debt service	-	3,842,898	-	3,842,898
Unreserved reported in:				
General fund	1,138,948	-	-	1,138,948
Special revenue funds	-	-	306,938	306,938
Capital projects funds	-	-	409,261	409,261
Total fund balances	<u>1,138,948</u>	<u>3,842,898</u>	<u>716,199</u>	<u>5,698,045</u>
	<u>2,864,878</u>	<u>4,248,083</u>	<u>883,456</u>	<u>7,996,417</u>
Total liabilities and fund balances				

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	5,698,045
<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.	6,025,596
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	163,259
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(29,016)
Long-term liabilities, including bonds payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(7,936,029)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,921,855</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,360,076	432,680	485,814	2,278,570
Tuition	301,341	-	-	301,341
Other	123,833	146,448	157,024	427,305
State sources	2,192,651	-	-	2,192,651
Federal sources	196,345	-	-	196,345
Total revenues	<u>4,174,246</u>	<u>579,128</u>	<u>642,838</u>	<u>5,396,212</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,892,037	-	28,138	1,920,175
Special	446,991	-	-	446,991
Other	252,626	-	117,356	369,982
	<u>2,591,654</u>	<u>-</u>	<u>145,494</u>	<u>2,737,148</u>
Support services:				
Student	96,769	-	-	96,769
Instructional staff	140,435	-	-	140,435
Administration	484,423	-	464	484,887
Operation and maintenance of plant	355,936	-	35,361	391,297
Transportation	297,903	-	8,648	306,551
	<u>1,375,466</u>	<u>-</u>	<u>44,473</u>	<u>1,419,939</u>
Other expenditures:				
Facilities acquisition	-	-	119,938	119,938
Long-term debt:				
Principal	-	275,000	-	275,000
Interest and fiscal charges	-	361,648	-	361,648
AEA flowthrough	155,881	-	-	155,881
	<u>155,881</u>	<u>636,648</u>	<u>119,938</u>	<u>912,467</u>
Total expenditures	<u>4,123,001</u>	<u>636,648</u>	<u>309,905</u>	<u>5,069,554</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,245</u>	<u>(57,520)</u>	<u>332,933</u>	<u>326,658</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Operating transfers in	-	50,000	-	50,000
Operating transfers out	-	-	(50,000)	(50,000)
Total other financing sources (uses)	-	50,000	(50,000)	-
Net change in fund balances	51,245	(7,520)	282,933	326,658
Fund balances beginning of year	1,087,703	3,850,418	433,266	5,371,387
Fund balances end of year	<u>1,138,948</u>	<u>3,842,898</u>	<u>716,199</u>	<u>5,698,045</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		326,658
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities 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:		
Expenditures for capital assets	322,331	
Depreciation expense	<u>(244,506)</u>	77,825
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.		
		(20,496)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		275,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		
		1,088
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	806	
Bond issue costs amortized	<u>(260)</u>	<u>546</u>
Changes in net assets of governmental activities (Exhibit E)		<u><u>660,621</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	23,371
Accounts receivable	68
Inventories	2,626
Capital assets, net of accumulated depreciation	<u>55,966</u>
Total assets	<u>82,031</u>
Liabilities	
Deferred revenue	<u>885</u>
Net assets	
Invested in capital assets, net of related debt	55,966
Unrestricted	<u>25,180</u>
Total net assets	<u><u>81,146</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>109,661</u>
Operating expenses:	
Non-instructional programs:	
Salaries	97,073
Benefits	16,066
Purchased services	1,479
Supplies	130,966
Depreciation	15,432
Other	6,286
	<u>267,302</u>
Operating gain (loss)	<u>(157,641)</u>
Non-operating revenues:	
State sources	3,120
Federal sources	109,198
Donations	27,891
Interest income	199
Total non-operating revenues	<u>140,408</u>
Change in net assets	(17,233)
Net assets beginning of year	<u>98,379</u>
Net assets end of year	<u><u>81,146</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	97,819
Cash received from daycare and after school services	12,129
Cash payments to employees for services	(113,139)
Cash payments to suppliers for goods or services	<u>(125,365)</u>
Net cash used by operating activities	<u>(128,556)</u>
Cash flows from non-capital financing activities:	
Donations	27,891
State grants received	3,120
Federal grants received	<u>99,357</u>
Net cash provided by non-capital financing activities	<u>130,368</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(4,315)</u>
Cash flows from investing activities:	
Interest on investments	<u>199</u>
Net increase (decrease) in cash and cash equivalents	(2,304)
Cash and cash equivalents at beginning of year	<u>25,675</u>
Cash and cash equivalents at end of year	<u><u>23,371</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(157,641)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	9,841
Depreciation	15,432
Decrease (increase) in inventories	509
Decrease (increase) in accounts receivable	(21)
(Decrease) increase in accounts payable	3,016
(Decrease) increase in deferred revenue	<u>308</u>
Net cash used in operating activities	<u><u>(128,556)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$9,841 of federal commodities.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	159,667
Accrued interest receivable	<u>1,170</u>
Total assets	160,837
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>160,837</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2007

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	300
Interest	<u>4,276</u>
Total additions	4,576
Deductions:	
Support services:	
Scholarships awarded	<u>500</u>
Change in net assets	4,076
Net assets beginning of year	<u>156,761</u>
Net assets end of year	<u><u>160,837</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies

River Valley 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 Correctionville, Washta, Cushing and Quimby, Iowa and the predominately agricultural territory in a portion of Woodbury, Cherokee and Ida 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, River Valley Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The River Valley 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 not meeting 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, 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 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds include two Enterprise Funds. The School Nutrition Fund is used to account for the food service operations and the Preschool Fund is used to account for tuition charged and the expenses of the District's preschool program.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

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 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.

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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	-
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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	20 years
Furniture and equipment	5-20 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 not available for appropriation or 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 are 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, 2007, expenditures in the other expenditures function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 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 has the following investments in government securities invested with a fiscal agent to fund a crossover refunding bond issue at June 30, 2007.

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
Goldman Sachs Financial Treasury Obligations	29	
US Treasury Note	3,458	12/01/07
US Treasury Note	3,813,457	06/01/08

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

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	1,656,998

The investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Capital Projects Fund	50,000

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	70,618	-	70,618
Land	19,689	-	-	19,689
Total capital assets not being depr.	<u>19,689</u>	<u>70,618</u>	<u>-</u>	<u>90,307</u>
Capital assets being depreciated:				
Buildings	6,232,149	71,500	-	6,303,649
Improvements other than buildings	524,056	-	-	524,056
Furniture and equipment	887,563	180,213	-	1,067,776
Total capital assets being deprec.	<u>7,643,768</u>	<u>251,713</u>	<u>-</u>	<u>7,895,481</u>
Less accumulated depreciation for:				
Buildings	1,040,040	124,643	-	1,164,683
Improvements other than buildings	107,587	26,203	-	133,790
Furniture and equipment	568,059	93,660	-	661,719
Total accumulated depreciation	<u>1,715,686</u>	<u>244,506</u>	<u>-</u>	<u>1,960,192</u>
Total capital assets being depreciated, net	<u>5,928,082</u>	<u>7,207</u>	<u>-</u>	<u>5,935,289</u>
Governmental activities capital assets, net	<u>5,947,771</u>	<u>77,825</u>	<u>-</u>	<u>6,025,596</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	189,819	4,315	3,016	191,118
Less accumulated depreciation	<u>119,720</u>	<u>15,432</u>	<u>-</u>	<u>135,152</u>
Business type activities capital assets, net	<u>70,099</u>	<u>(11,117)</u>	<u>3,016</u>	<u>55,966</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Regular				15,284
Support Services:				
Administration				4,791
Operation and maintenance of plant services				1,631
Transportation				67,739
Unallocated depreciation				<u>155,061</u>
Total depreciation expense – governmental activities				<u>244,506</u>
Business type activities:				
Food service				<u>15,432</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	8,205,000	-	275,000	7,930,000	290,000
Termination benefits	9,432	8,626	9,432	8,626	5,148
Total	8,214,432	8,626	284,432	7,938,626	295,148

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time 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, 2007, the District has obligations to one participant with a total liability of \$8,626. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$9,432.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.75	290,000	194,985	484,985
2009	4.75	305,000	181,210	486,210
2010	4.75	320,000	166,723	486,723
2011	4.75	335,000	151,522	486,522
2012	4.75	350,000	135,610	485,610
2013-2017	4.75	2,030,000	411,100	2,441,100
2018	4.80	470,000	22,560	492,560
		<u>4,100,000</u>	<u>1,263,710</u>	<u>5,363,710</u>

Year Ended June 30,	2005 Crossover Refunding Bond Issue			
	Interest Rates	Principal	Interest	Total
		\$	\$	\$
2008	4.0	-	153,200	153,200
2009	4.0	320,000	153,200	473,200
2010	4.0	330,000	140,400	470,400
2011	4.0	345,000	127,200	472,200
2012	4.0	355,000	113,400	468,400
2013-2017	4.0	2,020,000	340,600	2,360,600
2018	4.0	460,000	18,400	478,400
Total		<u>3,830,000</u>	<u>1,046,400</u>	<u>4,876,400</u>

Crossover Refunding Bonds

In December, 2005, the District issued \$3,830,000 of general obligation refunding bonds with interest rates of 4.00%. The District issued the bonds to refund the outstanding 1998 bonds in 2008.

This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$115,179.

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, 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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$143,407, \$139,715 and \$139,252 respectively, equal to the required contributions for each year.

7. 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.

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 \$155,881 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Commitments

The District has construction commitments for the following:

Bus barn contracts for \$301,447 of which \$230,829 is unearned as of June 30, 2007.

10. Lawsuits

The District is a defendant in a law suit regarding the sale of a building. The outcome is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

RIVER VALLEY 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, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,007,216	109,860	3,117,076	2,795,287	2,795,287	321,789
Intermediate sources	-	27,891	27,891	2,700	2,700	25,191
State sources	2,192,651	3,120	2,195,771	2,337,142	2,337,142	(141,371)
Federal sources	196,345	109,198	305,543	327,000	327,000	(21,457)
Total revenues	<u>5,396,212</u>	<u>250,069</u>	<u>5,646,281</u>	<u>5,462,129</u>	<u>5,462,129</u>	<u>184,152</u>
Expenditures:						
Instruction	2,737,148	-	2,737,148	2,803,000	2,803,000	65,852
Support services	1,419,939	-	1,419,939	2,173,000	2,173,000	753,061
Non-instructional programs	-	267,302	267,302	275,000	275,000	7,698
Other expenditures	912,467	-	912,467	897,675	897,675	(14,792)
Total expenditures	<u>5,069,554</u>	<u>267,302</u>	<u>5,336,856</u>	<u>6,148,675</u>	<u>6,148,675</u>	<u>811,819</u>
Excess (deficiency) of revenues over (under) expenditures	326,658	(17,233)	309,425	(686,546)	(686,546)	995,971
Balance beginning of year	<u>5,371,387</u>	<u>98,379</u>	<u>5,469,766</u>	<u>1,357,415</u>	<u>1,357,415</u>	<u>4,112,351</u>
Balance end of year	<u>5,698,045</u>	<u>81,146</u>	<u>5,779,191</u>	<u>670,869</u>	<u>670,869</u>	<u>5,108,322</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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 a 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 function 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 budget.

During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales and Services Tax	
	\$	\$	\$	\$	
Cash and pooled investments	213,395	62,435	28,803	400,165	704,798
Receivables:					
Property tax:					
Delinquent	1,634	-	671	-	2,305
Succeeding year	75,000	-	41,519	-	116,519
Due from other governments	-	-	-	59,834	59,834
Total assets	290,029	62,435	70,993	459,999	883,456
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	-	-	50,738	50,738
Deferred revenue:					
Succeeding year property tax	75,000	-	41,519	-	116,519
Total liabilities	75,000	-	41,519	50,738	167,257
Fund balances:					
Unreserved reported in:					
Special revenue funds	215,029	62,435	29,474	-	306,938
Capital projects funds	-	-	-	409,261	409,261
Total fund balances	215,029	62,435	29,474	409,261	716,199
Total liabilities and fund balances	290,029	62,435	70,993	459,999	883,456

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales and Services Tax	
	\$	\$	\$	\$	
Revenues:					
Local sources:					
Local tax	99,843	-	41,148	344,823	485,814
Other	8,846	128,853	1,026	18,299	157,024
Total revenues	<u>108,689</u>	<u>128,853</u>	<u>42,174</u>	<u>363,122</u>	<u>642,838</u>
Expenditures:					
Current:					
Instruction:					
Regular	28,138	-	-	-	28,138
Other	-	117,356	-	-	117,356
Support services:					
Administration	-	464	-	-	464
Operation and maintenance of plant	35,361	-	-	-	35,361
Transportation	8,648	-	-	-	8,648
Other expenditures:					
Facilities acquisition	-	-	22,714	97,224	119,938
Total expenditures	<u>72,147</u>	<u>117,820</u>	<u>22,714</u>	<u>97,224</u>	<u>309,905</u>
Excess (deficiency) of revenues over (under) expenditures	36,542	11,033	19,460	265,898	332,933
Other financing sources (uses):					
Operating transfers out	-	-	-	(50,000)	(50,000)
Net change in fund balances	36,542	11,033	19,460	215,898	282,933
Fund balances beginning of year	<u>178,487</u>	<u>51,402</u>	<u>10,014</u>	<u>193,363</u>	<u>433,266</u>
Fund balances end of year	<u>215,029</u>	<u>62,435</u>	<u>29,474</u>	<u>409,261</u>	<u>716,199</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2007

	School Nutrition	Preschool	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	16,879	6,492	23,371
Accounts receivable	68	-	68
Inventories	2,626	-	2,626
Capital assets, net of accumulated depreciation	<u>55,966</u>	<u>-</u>	<u>55,966</u>
Total assets	<u>75,539</u>	<u>6,492</u>	<u>82,031</u>
Liabilities			
Deferred revenue	<u>885</u>	<u>-</u>	<u>885</u>
Net assets			
Invested in capital assets, net of related debt	55,966	-	55,966
Unrestricted	<u>18,688</u>	<u>6,492</u>	<u>25,180</u>
Total net assets	<u><u>74,654</u></u>	<u><u>6,492</u></u>	<u><u>81,146</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	97,532	12,129	109,661
Operating expenses:			
Non-instructional programs:			
Salaries	68,053	29,020	97,073
Benefits	12,177	3,889	16,066
Purchased services	1,479	-	1,479
Supplies	128,125	2,841	130,966
Depreciation	15,432	-	15,432
Other	6,286	-	6,286
	231,552	35,750	267,302
Operating gain (loss)	(134,020)	(23,621)	(157,641)
Non-operating revenues:			
State sources	3,120	-	3,120
Federal sources	109,198	-	109,198
Donations	-	27,891	27,891
Interest income	199	-	199
Total non-operating revenues	112,517	27,891	140,408
Change in net assets	(21,503)	4,270	(17,233)
Net assets beginning of year	96,157	2,222	98,379
Net assets end of year	74,654	6,492	81,146

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	97,819	-	97,819
Cash received from daycare and after school services	-	12,129	12,129
Cash payments to employees for services	(80,230)	(32,909)	(113,139)
Cash payments to suppliers for goods or services	(122,524)	(2,841)	(125,365)
Net cash used by operating activities	<u>(104,935)</u>	<u>(23,621)</u>	<u>(128,556)</u>
Cash flows from non-capital financing activities:			
Donations	-	27,891	27,891
State grants received	3,120	-	3,120
Federal grants received	99,357	-	99,357
Net cash provided by non-capital financing activities	<u>102,477</u>	<u>27,891</u>	<u>130,368</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(4,315)</u>	<u>-</u>	<u>(4,315)</u>
Cash flows from investing activities:			
Interest on investments	<u>199</u>	<u>-</u>	<u>199</u>
Net increase (decrease) in cash and cash equivalents	(6,574)	4,270	(2,304)
Cash and cash equivalents at beginning of year	<u>23,453</u>	<u>2,222</u>	<u>25,675</u>
Cash and cash equivalents at end of year	<u><u>16,879</u></u>	<u><u>6,492</u></u>	<u><u>23,371</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(134,020)	(23,621)	(157,641)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	9,841	-	9,841
Depreciation	15,432	-	15,432
Decrease (increase) in inventories	509	-	509
Decrease (increase) in accounts receivable	(21)	-	(21)
(Decrease) increase in accounts payable	3,016	-	3,016
(Decrease) increase in deferred revenue	308	-	308
Net cash used in operating activities	<u><u>(104,935)</u></u>	<u><u>(23,621)</u></u>	<u><u>(128,556)</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Interest	-	3,179	542	736	3,373
Cheerleaders	1,925	722	734	(1,254)	659
MS the loft	172	-	30	-	142
MS renaissance	767	-	30	-	737
MS student council	8,129	5,229	4,659	(5,015)	3,684
MS athletic fundraiser	-	197	2,607	5,000	2,590
Yearbook	1,670	16,114	14,203	(1,562)	2,019
HS play	3,302	2,052	2,195	-	3,159
HS athletics	7,865	32,509	32,339	1,068	9,103
District football	-	750	172	-	578
HS cheerleaders	430	-	-	(430)	-
Speech and drama club	350	2,966	2,656	-	660
Chess club	100	-	-	-	100
Drill team	239	1,451	2,681	1,922	931
Wolverine's den	138	175	12	(9)	292
HS renaissance	1,438	1,995	1,710	(371)	1,352
FFA	12	-	-	-	12
FHA	10,012	-	-	(10,012)	-
FCLLA	-	1,827	1,391	781	1,217
Art club	182	123	96	-	209
Spanish club	3,435	215	1,360	-	2,290
Quiz bowl club	524	141	110	-	555
Industrial arts club	176	-	-	-	176
Physics club	289	1,891	1,897	-	283
Scholarship banquet fund	-	1,230	1,249	667	648
Class of 2008	235	9,222	6,151	-	3,306
Class of 2007	3,225	516	1,588	(600)	1,553
Class of 2005	472	-	-	48	520
Class of 2004	167	-	-	(167)	-
Class of 2009	108	140	-	(48)	200
Class of 2010	-	232	-	-	232
National honor society	399	-	143	-	256
Elementary student council	-	27,815	24,876	9,231	12,170
Activity library bookfair	2,853	3,889	2,447	-	4,295
HS student council	-	6,177	3,694	(277)	2,206
HS concessions	2,788	8,096	8,248	292	2,928
Total	51,402	128,853	117,820	-	62,435

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,278,570	2,227,034	2,230,236	2,387,053
Tuition	301,341	246,451	238,173	244,964
Other	427,305	278,939	206,636	174,671
State sources	2,192,651	2,132,425	2,001,669	1,802,142
Federal sources	196,345	302,767	259,519	276,718
Total revenues	<u>5,396,212</u>	<u>5,187,616</u>	<u>4,936,233</u>	<u>4,885,548</u>
Expenditures:				
Instruction:				
Regular instruction	1,920,175	1,769,689	1,846,735	1,754,209
Special instruction	446,991	427,012	490,293	531,211
Other instruction	369,982	403,151	200,160	217,482
Support services:				
Student services	96,769	97,475	97,235	100,084
Instructional staff services	140,435	116,141	122,843	98,800
Administration services	484,887	485,354	605,385	536,916
Operation and maintenance of plant	391,297	384,718	335,493	380,176
Transportation services	306,551	261,357	365,048	168,773
Non-instructional programs	-	4,082	-	255
Other expenditures:				
Facilities acquisition	119,938	128,434	220,647	316,607
Long-term debt:				
Principal	275,000	265,000	255,000	259,307
Interest and other charges	361,648	363,776	232,898	245,553
AEA flowthrough	155,881	149,751	147,634	150,193
Total expenditures	<u>5,069,554</u>	<u>4,855,940</u>	<u>4,919,371</u>	<u>4,759,566</u>

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
River Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of River Valley Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 2008. 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 River Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of River Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of River Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects River Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of River Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by River Valley Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by River Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A and 07-I-B are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether River Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of River Valley Community School District and other parties to whom River Valley 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 River Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

March 27, 2008

River Valley Community School District

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-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, preparing and posting general journal entries, 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.

07-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

River Valley Community School District

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, exceeded the amounts budgeted in 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.

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

Conclusion: Response accepted.

07-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.

07-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.

07-II-D Business Transactions: No transactions between the District and District officials or employees were noted.

07-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.

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

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

07-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.

07-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

River Valley Community School District

Schedule of Findings and Responses

Year ended June 30, 2007

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

07-II-J Signature on Checks: We noted that in the month of May payroll checks were issued with only one signature; the Board President's signature was missing. All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign when the Board President is unavailable.

Recommendation: The District should ensure all warrants are signed by both the board president and the board secretary.

District Response: We will review our procedures and make any necessary changes to be in compliance with the Code of Iowa.

Conclusion: Response accepted.