

RIVERSIDE 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
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, 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 Riverside 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 April 2, 2008, 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 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverside Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 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

April 2, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,354,495 in fiscal 2006 to \$5,714,963 in fiscal 2007, while General Fund expenditures increased from \$5,563,540 in fiscal 2006 to \$5,671,857 in fiscal 2007. The District's General Fund balance increased from \$280,328 in fiscal 2006 to \$334,039 in fiscal 2007, a 19% increase.
- The increase in General Fund revenues was attributable to an increase in student enrollment from the previous fiscal year. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. The General Fund balance increase was due to more careful monitoring of expenses throughout the fiscal 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 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.

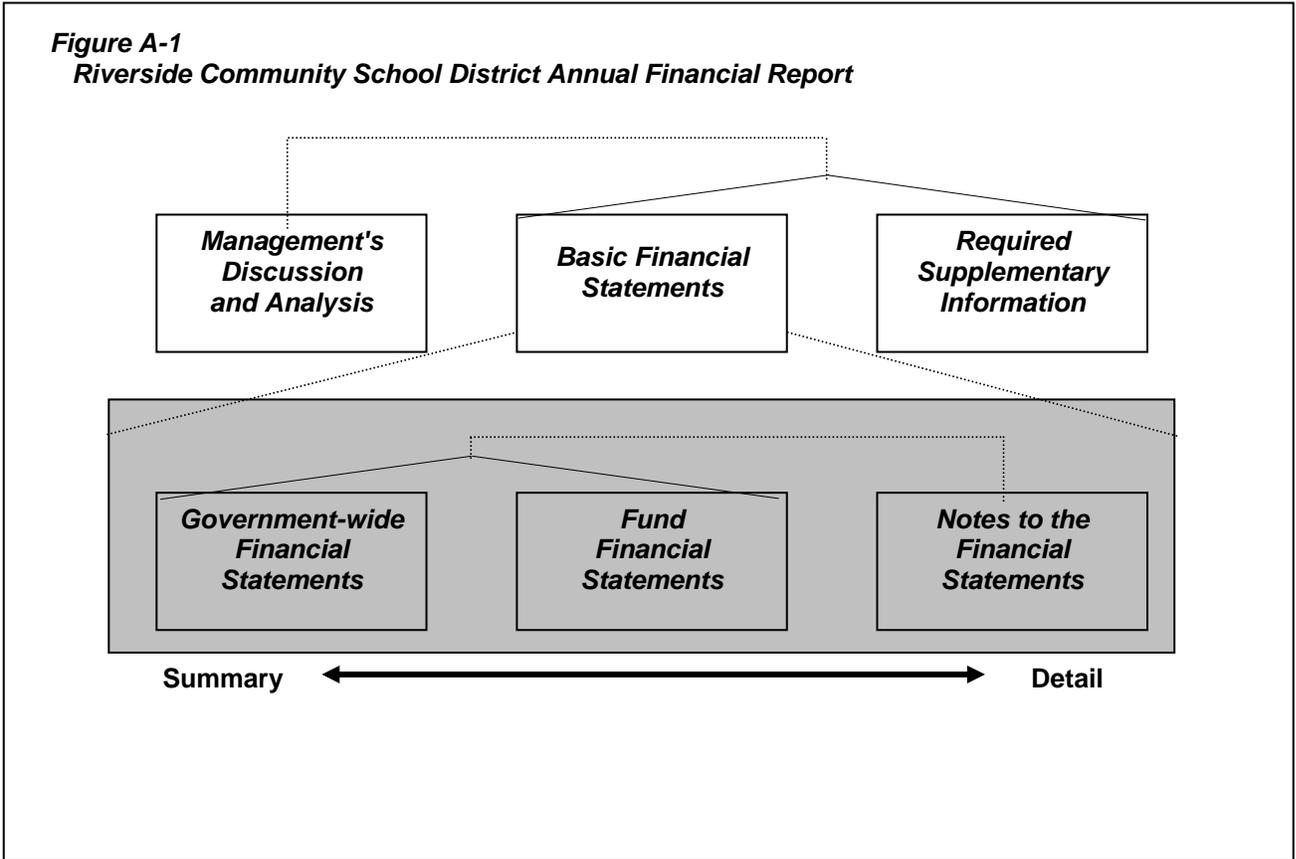


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: 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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	\$
Current and other assets	6,873,314	6,917,859	43,482	55,830	6,916,796	6,973,689	-1%
Capital assets	2,947,695	2,854,104	22,281	13,357	2,969,976	2,867,461	4%
Total assets	9,821,009	9,771,963	65,763	69,187	9,886,772	9,841,150	0%
Long-term liabilities	226,543	9,285	-	-	226,543	9,285	234%
Other liabilities	3,956,370	4,345,590	7,830	14,410	3,964,200	4,360,000	-9%
Total liabilities	4,182,913	4,354,875	7,830	14,410	4,190,743	4,369,285	-4%
Net Assets:							
Invested in capital assets, net of related debt	2,831,181	2,854,104	22,281	13,357	2,853,462	2,867,461	0%
Restricted	2,140,982	1,992,633	-	-	2,140,982	1,992,633	7%
Unrestricted	665,933	570,351	35,652	41,420	701,585	611,771	15%
TOTAL NET ASSETS	5,638,096	5,417,088	57,933	54,777	5,696,029	5,471,865	4%

The District's combined net assets increased by nearly 4%, or approximately \$224,164, 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 \$148,349 or 7% 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 – increased approximately \$89,814 or 15%. This increase is due in part to an increase in property tax revenues.

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 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	468,367	493,086	188,547	201,000	656,914	694,086	-5%
Operating grants & contributions	671,574	664,506	145,156	142,039	816,730	806,545	1%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	2,268,012	1,992,878	-	-	2,268,012	1,992,878	14%
Income Surtax	334,077	307,718	-	-	334,077	307,718	9%
Local option sales tax	495,266	582,334	-	-	495,266	582,334	-15%
Unrestricted state grants	2,393,407	2,351,633	-	-	2,393,407	2,351,633	2%
Unrestricted investment earnings	81,877	80,101	523	310	82,400	80,411	2%
Other revenue	26,563	-	-	-	26,563	-	0%
Total Revenues	6,739,143	6,472,256	334,226	343,349	7,073,369	6,815,605	4%
Expenses:							
Instruction	4,016,246	4,036,610	-	-	4,016,246	4,036,610	-1%
Support services	1,959,271	1,766,548	-	-	1,959,271	1,766,548	11%
Non-instructional programs	-	50,268	343,375	319,920	343,375	370,188	-7%
Other expenditures	530,313	415,695	-	-	530,313	415,695	28%
Total expenses	6,505,830	6,269,121	343,375	319,920	6,849,205	6,589,041	4%
Change in net assets before Transfers	233,313	203,135	-9,149	23,429	224,164	226,564	-1%
Transfers	-12,305	-	12,305	-	-	-	0%
CHANGE IN NET ASSETS	221,008	203,135	3,156	23,429	224,164	226,564	-1%
Net assets beginning of year	5,417,088	5,213,953	54,777	31,348	5,471,865	5,245,301	4%
Net assets end of year	5,638,096	5,417,088	57,933	54,777	5,696,029	5,471,865	4%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,739,143 and expenses were \$6,505,830. 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

	Total Cost of Services 2007 \$	Total Cost of Services 2006 \$	Net Cost of Services 2007 \$	Net Cost of Services 2006 \$
Instruction	4,016,246	4,036,610	3,210,048	3,288,414
Support Services	1,959,271	1,766,548	1,835,119	1,556,315
Non-instructional Programs	-	50,268	-	50,268
Other Expenses	530,313	415,695	320,722	216,532
TOTAL	6,505,830	6,269,121	5,365,889	5,111,529

- The cost financed by users of the District's programs was \$468,367.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$671,574.
- The net cost of governmental activities was financed with \$3,097,355 in property and other taxes and \$2,393,407 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$334,226 and expenses were \$343,375. 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 \$2,585,050, above last year's ending fund balances of \$2,275,722.

Governmental Fund Highlights

- The General Fund balance increased from \$280,328 to \$334,039, due in part to continued diligence with regards to expenses.
- The Capital Projects Fund balance increased due to lack of expenditures for the year. Fiscal 2007 ended with a balance of \$1,849,778. This balance must be used for future capital improvements and equipment.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$25,154 at June 30, 2006 to \$12,796 at June 30, 2007. The decrease in net assets is a result of depreciation as well as less inventory on hand.

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 \$19,377 less than budgeted receipts. The most significant variance resulted from the District receiving less in sales tax revenues and miscellaneous income.

Support Services exceeded budget by \$474. This is likely the result of allocating expenses to an incorrect account. The district will continue to monitor expense allocation to insure budgets are adhered to.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, 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 \$201,958.

The original cost of the District's capital assets was \$8.7 million. Governmental funds account for \$8.60 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 2006-2007
	Activities		Activities		School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	392,000	-	-	-	392,000	0%
Buildings	1,908,156	1,991,119	-	-	1,908,156	1,991,119	-4%
Improvements	753,430	249,233	-	-	753,430	249,233	202%
Equipment & Furniture	276,108	211,752	22,281	13,357	298,389	225,109	33%
TOTAL	2,947,694	2,854,104	22,281	13,357	2,969,975	2,867,461	4%

Long-Term Debt

The district had long-term capital lease debt of \$116,514 at June 30, 2007 and had \$110,029 long-term liability for early retirement at June 30, 2007.

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 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 in this fashion.
- 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, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	1,014,052	-	1,014,052
Other	2,970,456	27,598	2,998,054
Receivables:			
Property tax:			
Delinquent	28,803	-	28,803
Succeeding year	2,387,935	-	2,387,935
Accounts	5,500	262	5,762
Accrued interest:			
ISCAP	8,244	-	8,244
Due from other governments	458,324	-	458,324
Inventories	-	15,622	15,622
Capital assets, net of accumulated depreciation	2,947,695	22,281	2,969,976
	<u>9,821,009</u>	<u>65,763</u>	<u>9,886,772</u>
Liabilities			
Accounts payable	59,372	253	59,625
Salaries and benefits payable	475,760	3,984	479,744
Accrued interest payable	3,316	-	3,316
Deferred revenue:			
Succeeding year property tax	2,387,935	-	2,387,935
Other	-	3,593	3,593
ISCAP warrants payable	1,016,000	-	1,016,000
ISCAP accrued interest payable	6,791	-	6,791
ISCAP premium	7,196	-	7,196
Long-term liabilities:			
Portion due within one year:			
Capital leases	57,838	-	57,838
Termination Benefits	22,284	-	22,284
Portion due after one year:			
Capital leases	58,676	-	58,676
Termination Benefits	87,745	-	87,745
	<u>4,182,913</u>	<u>7,830</u>	<u>4,190,743</u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	2,831,181	22,281	2,853,462
Restricted for:			
Management levy	130,854	-	130,854
Capital Outlay	1,949,703	-	1,949,703
Other special revenue purposes	60,425	-	60,425
Unrestricted	665,933	35,652	701,585
Total net assets	<u>5,638,096</u>	<u>57,933</u>	<u>5,696,029</u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,380,837	75,603	354,260	-
Special	803,953	57,166	7,954	-
Other	831,456	244,402	66,813	-
	<u>4,016,246</u>	<u>377,171</u>	<u>429,027</u>	<u>-</u>
Support services:				
Student	180,071	-	-	-
Instructional staff	134,178	-	32,956	-
Administration	724,559	-	-	-
Operation and maintenance of plant	534,428	90,887	-	-
Transportation	386,035	309	-	-
	<u>1,959,271</u>	<u>91,196</u>	<u>32,956</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	190,991	-	-	-
Long-term debt interest	3,316	-	-	-
AEA flowthrough	209,591	-	209,591	-
Depreciation (unallocated)*	126,415	-	-	-
	<u>530,313</u>	<u>-</u>	<u>209,591</u>	<u>-</u>
Total governmental activities	<u>6,505,830</u>	<u>468,367</u>	<u>671,574</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	286,776	146,924	115,156	-
Daycare	56,599	41,623	30,000	-
Total business-type activities	<u>343,375</u>	<u>188,547</u>	<u>145,156</u>	<u>-</u>
Total	<u>6,849,205</u>	<u>656,914</u>	<u>816,730</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

<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>
(1,950,974)	-	(1,950,974)
(738,833)	-	(738,833)
(520,241)	-	(520,241)
<u>(3,210,048)</u>	<u>-</u>	<u>(3,210,048)</u>
(180,071)	-	(180,071)
(101,222)	-	(101,222)
(724,559)	-	(724,559)
(443,541)	-	(443,541)
(385,726)	-	(385,726)
<u>(1,835,119)</u>	<u>-</u>	<u>(1,835,119)</u>
(190,991)	-	(190,991)
(3,316)	-	(3,316)
-	-	-
(126,415)	-	(126,415)
<u>(320,722)</u>	<u>-</u>	<u>(320,722)</u>
<u>(5,365,889)</u>	<u>-</u>	<u>(5,365,889)</u>
-	(24,696)	(24,696)
-	15,024	15,024
-	(9,672)	(9,672)
<u>(5,365,889)</u>	<u>(9,672)</u>	<u>(5,375,561)</u>
2,195,101	-	2,195,101
72,911	-	72,911
334,077	-	334,077
495,266	-	495,266
2,393,407	-	2,393,407
81,877	523	82,400
26,563	-	26,563
<u>5,599,202</u>	<u>523</u>	<u>5,599,725</u>
(12,305)	12,305	-
<u>5,586,897</u>	<u>12,828</u>	<u>5,599,725</u>
221,008	3,156	224,164
<u>5,417,088</u>	<u>54,777</u>	<u>5,471,865</u>
<u>5,638,096</u>	<u>57,933</u>	<u>5,696,029</u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	1,014,052	-	-	1,014,052
Other	793,019	1,775,369	361,518	2,929,906
Receivables:				
Property tax:				
Delinquent	26,635	-	2,168	28,803
Succeeding year	2,176,473	-	211,462	2,387,935
Accounts	5,500	-	-	5,500
Accrued interest - ISCAP	8,244	-	-	8,244
Interfund receivable	-	-	39,393	39,393
Due from other governments	381,876	76,448	-	458,324
Total assets	<u>4,405,799</u>	<u>1,851,817</u>	<u>614,541</u>	<u>6,872,157</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	50,147	2,039	1,846	54,032
Salaries and benefits payable	475,760	-	-	475,760
Interfund payable	39,393	-	-	39,393
ISCAP warrants payable	1,016,000	-	-	1,016,000
ISCAP interest payable	6,791	-	-	6,791
ISCAP premium	7,196	-	-	7,196
Deferred revenue:				
Succeeding year property tax	2,176,473	-	211,462	2,387,935
Other	300,000	-	-	300,000
Total liabilities	<u>4,071,760</u>	<u>2,039</u>	<u>213,308</u>	<u>4,287,107</u>
Fund balances:				
Unreserved reported in:				
General fund	334,039	-	-	334,039
Special revenue funds	-	-	401,233	401,233
Capital projects funds	-	1,849,778	-	1,849,778
Total fund balances	<u>334,039</u>	<u>1,849,778</u>	<u>401,233</u>	<u>2,585,050</u>
Total liabilities and fund balances	<u>4,405,799</u>	<u>1,851,817</u>	<u>614,541</u>	<u>6,872,157</u>

RIVERSIDE 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)	2,585,050
<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.	2,947,695
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	300,000
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.	(3,316)
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.	35,210
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>(226,543)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,638,096</u></u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,400,330	495,266	167,681	3,063,277
Tuition	113,999	-	-	113,999
Other	138,115	52,696	261,393	452,204
State sources	2,917,866	-	2,462	2,920,328
Federal sources	144,653	-	-	144,653
Total revenues	<u>5,714,963</u>	<u>547,962</u>	<u>431,536</u>	<u>6,694,461</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,381,372	-	-	2,381,372
Special	803,953	-	-	803,953
Other	595,052	-	236,404	831,456
	<u>3,780,377</u>	<u>-</u>	<u>236,404</u>	<u>4,016,781</u>
Support services:				
Student	180,071	-	-	180,071
Instructional staff	134,178	-	-	134,178
Administration	612,832	-	8,821	621,653
Operation and maintenance of plant	435,470	-	98,958	534,428
Transportation	319,338	-	118,806	438,144
	<u>1,681,889</u>	<u>-</u>	<u>226,585</u>	<u>1,908,474</u>
Other expenditures:				
Facilities acquisition	-	295,517	69,584	365,101
AEA flowthrough	209,591	-	-	209,591
	<u>209,591</u>	<u>295,517</u>	<u>69,584</u>	<u>574,692</u>
Total expenditures	<u>5,671,857</u>	<u>295,517</u>	<u>532,573</u>	<u>6,499,947</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,106</u>	<u>252,445</u>	<u>(101,037)</u>	<u>194,514</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	3,971	-	-	3,971
Proceeds form long-term loans	-	-	116,514	116,514
Sales of materials and equipment	6,634	-	-	6,634
Operating transfers out	-	-	(12,305)	(12,305)
Total other financing sources (uses)	<u>10,605</u>	<u>-</u>	<u>104,209</u>	<u>114,814</u>
Net change in fund balances	53,711	252,445	3,172	309,328
Fund balances beginning of year	<u>280,328</u>	<u>1,597,333</u>	<u>398,061</u>	<u>2,275,722</u>
Fund balances end of year	<u>334,039</u>	<u>1,849,778</u>	<u>401,233</u>	<u>2,585,050</u>

See notes to financial statements.

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, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		309,328
<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 and loss on disposal of assets in the current year, as follows:		
Disposal of assets	(348,146)	
Expenditures for capital assets	638,770	
Depreciation expense	<u>(197,033)</u>	93,591
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.		34,077
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.		(3,316)
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		(100,744)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(116,514)
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>4,586</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>221,008</u></u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	27,598	40,550
Accounts receivable	262	-
Inventories	15,622	-
Capital assets, net of accumulated depreciation	22,281	-
	<u>65,763</u>	<u>40,550</u>
Liabilities		
Accounts payable	253	5,340
Salaries and benefits payable	3,984	-
Deferred revenue	3,593	-
	<u>7,830</u>	<u>5,340</u>
Net assets		
Invested in capital assets, net of related debt	22,281	-
Unrestricted	35,652	35,210
	<u>57,933</u>	<u>35,210</u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenues:		
Local sources:		
Charges for service	188,547	64,400
Operating expenses:		
Non-instructional programs:		
Salaries	152,099	-
Benefits	51,600	-
Purchased services	118	-
Supplies	134,633	-
Depreciation	4,925	-
Other	-	59,814
	<u>343,375</u>	<u>59,814</u>
Operating gain (loss)	<u>(154,828)</u>	<u>4,586</u>
Non-operating revenues:		
State sources	3,340	-
Federal sources	141,816	-
Interest income	523	-
Total non-operating revenues	<u>145,679</u>	<u>-</u>
Gain (loss) before contributions	(9,149)	4,586
Transfers in	<u>12,305</u>	<u>-</u>
Change in net assets	3,156	4,586
Net assets beginning of year	<u>54,777</u>	<u>30,624</u>
		-
Net assets end of year	<u><u>57,933</u></u>	<u><u>35,210</u></u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	146,263	64,400
Cash received from daycare services	41,623	-
Cash payments to employees for services	(209,806)	-
Cash payments to suppliers for goods or services	(118,119)	(54,474)
Net cash used by operating activities	<u>(140,039)</u>	<u>9,926</u>
Cash flows from non-capital financing activities:		
State grants received	3,340	-
Federal grants received	123,963	-
Net cash provided by non-capital financing activities	<u>127,303</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	523	-
Net increase (decrease) in cash and cash equivalents	(12,213)	9,926
Cash and cash equivalents at beginning of year	<u>39,811</u>	<u>30,624</u>
Cash and cash equivalents at end of year	<u><u>27,598</u></u>	<u><u>40,550</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(154,828)	4,586
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	17,853	-
Depreciation	3,381	-
Decrease (increase) in inventories	133	-
Decrease (increase) in accounts receivable	2	-
(Decrease) increase in accounts payable	190	5,340
(Decrease) increase in salaries and benefits payable	(6,107)	-
(Decrease) increase in deferred revenue	(663)	-
Net cash used in operating activities	<u>(140,039)</u>	<u>9,926</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$17,853 of federal commodities.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

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 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 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 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, 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, 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	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 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 exceeded the amount budgeted in the support services function.

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 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, 2007 is as follows:

Receivable Fund	Payable Fund	Amount \$
Nonmajor Governmental: 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, 2007 is as follows:

Transfer To	Transfer From	Amount \$
Nonmajor Enterprise: School Nutrition Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	12,305

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, 2007, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2006-07B	01/26/07	01/25/08	352,100	7,947	353,000	6,459
2007-08A	06/27/07	06/27/08	661,952	297	663,000	332
Total			<u>1,014,052</u>	<u>8,244</u>	<u>1,016,000</u>	<u>6,791</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, 2007, 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>
	%	%
2006-07B	4.250	5.315
2007-08A	4.500	5.455

6. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	392,000	-	392,000	-
Land	10,000	-	-	10,000
Total not being depreciated	<u>402,000</u>	<u>-</u>	<u>392,000</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	6,625,396	-	-	6,625,396
Improvements other than buildings	306,951	522,256	(25,109)	854,316
Furniture and equipment	1,141,862	116,514	80,179	1,178,197
Total capital assets being deprec.	<u>8,074,209</u>	<u>638,770</u>	<u>55,070</u>	<u>8,657,909</u>
Less accumulated depreciation for:				
Buildings	4,634,277	82,963	-	4,717,240
Improvements other than buildings	57,718	42,716	(452)	100,886
Furniture and equipment	930,110	71,354	99,376	902,088
Total accumulated depreciation	<u>5,622,105</u>	<u>197,033</u>	<u>98,924</u>	<u>5,720,214</u>
Total capital assets being depreciated, net	<u>2,452,104</u>	<u>441,737</u>	<u>(43,854)</u>	<u>2,937,695</u>
Governmental activities capital assets, net	<u>2,854,104</u>	<u>441,737</u>	<u>348,146</u>	<u>2,947,695</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	48,564	12,305	-	60,869
Less accumulated depreciation	<u>35,207</u>	<u>4,925</u>	<u>1,544</u>	<u>38,588</u>
Business type activities capital assets, net	<u>13,357</u>	<u>7,380</u>	<u>(1,544)</u>	<u>22,281</u>

Depreciation expense was charged to the following functions:	\$
Governmental activities:	
Instruction:	
Regular	4,051
Support Services:	
Administration	2,162
Transportation	64,405
	<u>70,618</u>
Unallocated depreciation	<u>126,415</u>
Total depreciation expense – governmental activities	<u>197,033</u>
Business type activities:	
Food services	<u>4,925</u>

7. 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 \$
Capital Leases	-	116,514	-	116,514	57,838
Termination benefits	<u>9,285</u>	<u>110,029</u>	<u>9,285</u>	<u>110,029</u>	<u>22,284</u>
Total	<u>9,285</u>	<u>226,543</u>	<u>9,285</u>	<u>226,543</u>	<u>80,122</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, 2007, the District has obligations to four participants with a total liability of \$110,029. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$9,285.

Capital Leases

The District has leased buses under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2007.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2008	61,315
	2009	<u>61,315</u>
Minimum Lease Payments		122,630
Less Amount Representing Interest		<u>6,116</u>
Present Value of Minimum Lease Payments		<u>116,514</u>

General Obligation Bonds Payable

The District had no bond indebtedness at June 30, 2007.

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, 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 \$205,003, \$195,803 and \$192,190 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 \$209,591 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.

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, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,629,480	189,070	3,818,550	3,777,185	3,777,185	41,365
State sources	2,920,328	3,340	2,923,668	3,023,879	3,023,879	(100,211)
Federal sources	144,653	141,816	286,469	247,000	247,000	39,469
Total revenues	<u>6,694,461</u>	<u>334,226</u>	<u>7,028,687</u>	<u>7,048,064</u>	<u>7,048,064</u>	<u>(19,377)</u>
Expenditures:						
Instruction	4,016,781	-	4,016,781	4,909,184	4,909,184	892,403
Support services	1,908,474	-	1,908,474	1,908,000	1,908,000	(474)
Non-instructional programs	-	343,375	343,375	392,131	392,131	48,756
Other expenditures	574,692	-	574,692	2,058,407	2,058,407	1,483,715
Total expenditures	<u>6,499,947</u>	<u>343,375</u>	<u>6,843,322</u>	<u>9,267,722</u>	<u>9,267,722</u>	<u>2,424,400</u>
Excess (deficiency) of revenues over (under) expenditures	194,514	(9,149)	185,365	(2,219,658)	(2,219,658)	2,405,023
Other financing sources (uses) net	<u>114,814</u>	<u>12,305</u>	<u>127,119</u>	<u>-</u>	<u>-</u>	<u>127,119</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	309,328	3,156	312,484	(2,219,658)	(2,219,658)	2,532,142
Balance beginning of year	<u>2,275,722</u>	<u>54,777</u>	<u>2,330,499</u>	<u>1,616,179</u>	<u>1,616,179</u>	<u>714,320</u>
Balance end of year	<u><u>2,585,050</u></u>	<u><u>57,933</u></u>	<u><u>2,642,983</u></u>	<u><u>(603,479)</u></u>	<u><u>(603,479)</u></u>	<u><u>3,246,462</u></u>

RIVERSIDE 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 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 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 exceeded the amount budgeted in the support services function.

OTHER SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	221,767	62,271	77,480	361,518
Receivables:				
Property tax:				
Delinquent	1,210	-	958	2,168
Succeeding year	135,000	-	76,462	211,462
Interfund receivable	17,906	-	21,487	39,393
Total assets	375,883	62,271	176,387	614,541
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	1,846	-	1,846
Deferred revenue:				
Succeeding year property tax	135,000	-	76,462	211,462
Total liabilities	135,000	1,846	76,462	213,308
Fund balances:				
Unreserved reported in:				
Special revenue funds	240,883	60,425	99,925	401,233
Total liabilities and fund balances	375,883	62,271	176,387	614,541

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
	\$	Fund	Equipment	\$
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	94,770	-	72,911	167,681
Other	15,133	244,402	1,858	261,393
State sources	47	-	2,415	2,462
Total revenues	<u>109,950</u>	<u>244,402</u>	<u>77,184</u>	<u>431,536</u>
Expenditures:				
Current:				
Instruction:				
Other	-	236,404	-	236,404
Support services:				
Administration	8,821	-	-	8,821
Operation and maintenance of plant	98,958	-	-	98,958
Transportation services	491	1,801	116,514	118,806
Other expenditures:				
Facilities acquisition	-	-	69,584	69,584
Total expenditures	<u>108,270</u>	<u>238,205</u>	<u>186,098</u>	<u>532,573</u>
expenditures	1,680	6,197	(108,914)	(101,037)
Other financing sources (uses):				
Proceeds from long-term loans	-	-	116,514	116,514
Operating transfers out	-	-	(12,305)	(12,305)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>104,209</u>	<u>104,209</u>
Net change in fund balances	1,680	6,197	(4,705)	3,172
Fund balances beginning of year	<u>239,203</u>	<u>54,228</u>	<u>104,630</u>	<u>398,061</u>
Fund balances end of year	<u><u>240,883</u></u>	<u><u>60,425</u></u>	<u><u>99,925</u></u>	<u><u>401,233</u></u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2007

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	(21,776)	49,374	27,598
Accounts receivable	262	-	262
Inventories	15,622	-	15,622
Capital assets, net of accumulated depreciation	22,281	-	22,281
Total assets	<u>16,389</u>	<u>49,374</u>	<u>65,763</u>
Liabilities			
Accounts payable	-	253	253
Salaries and benefits payable	-	3,984	3,984
Deferred revenue	3,593	-	3,593
Total liabilities	<u>3,593</u>	<u>4,237</u>	<u>7,830</u>
Net assets			
Invested in capital assets, net of related debt	22,281	-	22,281
Unrestricted	(9,485)	45,137	35,652
Total net assets	<u>12,796</u>	<u>45,137</u>	<u>57,933</u>

See accompanying independent auditor's report.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	<u>Nonmajor Enterprise Funds</u>		
	<u>School</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Daycare</u>	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	146,924	41,623	188,547
Operating expenses:			
Non-instructional programs:			
Salaries	109,107	42,992	152,099
Benefits	40,528	11,072	51,600
Purchased services	118	-	118
Supplies	132,098	2,535	134,633
Depreciation	4,925	-	4,925
Other	-	-	-
	<u>286,776</u>	<u>56,599</u>	<u>343,375</u>
Operating gain (loss)	<u>(139,852)</u>	<u>(14,976)</u>	<u>(154,828)</u>
Non-operating revenues:			
State sources	3,340	-	3,340
Federal sources	111,816	30,000	141,816
Interest income	33	490	523
Total non-operating revenues	<u>115,189</u>	<u>30,490</u>	<u>145,679</u>
Gain (loss) before contributions	(24,663)	15,514	(9,149)
Transfers in	<u>12,305</u>	<u>-</u>	<u>12,305</u>
Change in net assets	(12,358)	15,514	3,156
Net assets beginning of year	<u>25,154</u>	<u>29,623</u>	<u>54,777</u>
Net assets end of year	<u><u>12,796</u></u>	<u><u>45,137</u></u>	<u><u>57,933</u></u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds		
	School		Total
	Nutrition	Daycare	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	146,263	-	146,263
Cash received from daycare services	-	41,623	41,623
Cash payments to employees for services	(152,955)	(56,851)	(209,806)
Cash payments to suppliers for goods or services	(115,778)	(2,341)	(118,119)
Net cash used by operating activities	<u>(122,470)</u>	<u>(17,569)</u>	<u>(140,039)</u>
Cash flows from non-capital financing activities:			
State grants received	3,340	-	3,340
Federal grants received	93,963	30,000	123,963
Net cash provided by non-capital financing activities	<u>97,303</u>	<u>30,000</u>	<u>127,303</u>
Cash flows from investing activities:			
Interest on investments	<u>33</u>	<u>490</u>	<u>523</u>
Net increase (decrease) in cash and cash equivalents	(25,134)	12,921	(12,213)
Cash and cash equivalents at beginning of year	<u>3,358</u>	<u>36,453</u>	<u>39,811</u>
Cash and cash equivalents at end of year	<u>(21,776)</u>	<u>49,374</u>	<u>27,598</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(139,852)	(14,976)	(154,828)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	17,853	-	17,853
Depreciation	3,381	-	3,381
Decrease (increase) in inventories	133	-	133
Decrease (increase) in accounts receivable	2	-	2
(Decrease) increase in accounts payable	(4)	194	190
(Decrease) increase in salaries and benefits payable	(3,320)	(2,787)	(6,107)
(Decrease) increase in deferred revenue	<u>(663)</u>	<u>-</u>	<u>(663)</u>
Net cash used in operating activities	<u>(122,470)</u>	<u>(17,569)</u>	<u>(140,039)</u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
5th grade project	940	1,334	607	-	1,667
Baseball camp	480	-	-	(223)	257
Dance team	626	8,263	7,364	17	1,542
FFA	4,281	10,218	9,027	-	5,472
US West-Rold	20	-	-	-	20
1st grade-US West	154	736	443	-	447
MS student activities	(462)	23,630	21,562	462	2,068
Middle school library	392	3,038	3,827	(392)	(789)
FCCLA	817	4,859	5,029	(39)	608
ITAG grant	5	-	-	-	5
6th grade opera	28	-	-	1	29
Annual	1,305	6,498	5,111	-	2,692
Volleyball camp	81	186	-	-	267
Athletics	(4)	46,672	58,810	4	(12,138)
Cross country	-	47	-	-	47
Band	8,353	3,001	1,981	-	9,373
Football cheerleaders	3,247	3,340	3,323	(814)	2,450
HS pop fund	3,833	831	1,844	(128)	2,692
Class of 2005	854	-	725	(129)	-
DC trip	1,310	64,350	88,922	25,190	1,928
Basketball camp	63	-	-	-	63
Class of 2006	850	-	985	135	-
Class of 2009	310	4,705	2,477	-	2,538
Inter't club	81	-	-	-	81
Student needs (civic donations)	3,447	692	326	217	4,030
JH band festival	595	154	165	-	584
MS student council	7,752	8,415	14,332	1,400	3,235
Science club	-	116	-	-	116
Library	175	50	-	-	225
North book fair	4,625	8,143	6,201	196	6,763
Preschool snack	5	308	164	-	149
R club	1,301	642	870	(3)	1,070
HS recognition area	949	1,565	598	21	1,937
Spring play	54	-	-	-	54
Bulldog enterprises	343	-	343	-	-
Special ed. needs (Putnam classroom)	590	704	399	-	895
8th grade team	1,277	1,582	1,141	(86)	1,632
Softball clinic	1,335	-	-	-	1,335
Speech	476	-	337	(75)	64
HS student council	772	8,933	4,439	(26)	5,240

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Wrestling cheerleader	440	-	-	-	440
Girls basketball camp	23	-	-	-	23
PC TAG camp	4,547	8,000	7,695	(4,547)	305
Vocal	405	45	-	-	450
Jump rope for heart	516	1,361	943	-	934
Art club	151	378	406	-	123
Class of 2008	747	12,570	9,947	325	3,695
Cheerleaders/BB	551	604	367	-	788
Class of 2010	-	689	204	-	485
7th grade team	197	1,640	1,497	-	340
6th grade team	1,443	1,190	926	-	1,707
Outdoor classroom	128	-	-	-	128
MS vocal festival	937	2,465	2,527	-	875
Musical	-	1,470	921	-	549
Class of 2007	1,437	978	1,499	19	935
Cash	(1,301)	-	(22,826)	(21,525)	-
Beginning accruals	(7,253)	-	(7,253)	-	-
Total	54,228	244,402	238,205	-	60,425

RIVERSIDE 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	3,063,277	2,892,498	2,729,667	3,312,609
Tuition	113,999	110,783	113,448	106,633
Other	452,204	424,954	296,157	129,520
State sources	2,920,328	2,822,573	2,990,315	2,628,875
Federal sources	144,653	152,721	143,921	307,735
Total revenues	<u>6,694,461</u>	<u>6,403,529</u>	<u>6,273,508</u>	<u>6,485,372</u>
Expenditures:				
Instruction:				
Regular	2,381,372	2,380,366	2,545,428	2,555,949
Special	803,953	830,959	883,740	874,088
Other	831,456	809,845	622,189	597,986
Support services:				
Student	180,071	184,844	190,846	190,605
Instructional staff	134,178	144,133	63,720	68,203
Administration	621,653	598,364	586,972	548,702
Operation and maintenance of plant	534,428	472,249	442,387	406,226
Transportation	438,144	360,060	271,719	298,369
Non-instructional programs	-	-	10,997	1,468
Other expenditures:				
Facilities acquisition	365,101	484,305	115,785	178,617
Long-term debt:				
Principal	-	-	-	7,977
Interest and other charges	-	-	-	209
AEA flowthrough	209,591	199,163	199,961	201,024
Total expenditures	<u>6,499,947</u>	<u>6,464,288</u>	<u>5,933,744</u>	<u>5,929,423</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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 2, 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 Riverside 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 Riverside Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverside 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 Riverside 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 Riverside Community School District's financial statements that is more than inconsequential will not be prevented or detected by Riverside 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 Riverside 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, 07-I-B and 07-I-C are material weaknesses.

Compliance and Other Matters

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

Riverside 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 Riverside 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 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

April 2, 2008

RIVERSIDE 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.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements (continued):

07-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to sign checks. The Board Treasurer prints the checks and uses the stamp to sign the checks.

Recommendation: This practice negates the control established by requiring two signatures on the checks. The board treasurer should not have access to or use a stamp with the Board President's signature.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

RIVERSIDE 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 amount budgeted in the support services functional area.

Recommendation: The 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: We will amend future budgets before expenditures exceed the budget.

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: 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 service	11,870

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

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.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

07-II-I Certified Annual Report (CAR): The Certified Annual Report was filed after the October 15, 2007 due date.

Recommendation: The District experienced a change in personnel which required some additional time to complete the CAR.

District Response: We filed as soon as we could and kept the Department of Education informed of our progress.

Conclusion: Response accepted.

07-II-J Financial Condition: The Student Activity Fund has a few accounts with deficit balances at June 30, 2007.

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.

07-II-K 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.