

RICEVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Telephone (641)257-4222

RICEVILLE COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
<u>OFFICIALS</u>	1
<u>INDEPENDENT AUDITOR'S REPORT</u>	2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4-12
 <u>BASIC FINANCIAL STATEMENTS:</u>	
	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-17
Governmental Fund Financial Statements:	
Balance Sheet	C 18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances	E 20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 22
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 23
Statement of Cash Flows	I 24
Notes to Financial Statements	25-35
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund	36-37
Budget to GAAP Reconciliation	38
Notes to Required Supplementary Information - Budgetary Reporting	39
 <u>OTHER SUPPLEMENTARY INFORMATION:</u>	
	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 41

RICEVILLE COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION - continued

Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	43

<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</u>		44-45
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<u>SCHEDULE OF FINDINGS</u>		46-47
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RICEVILLE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Deborah Oulman	President	2007
Sheryl Noble	Vice-President	2009
Lowell Dohlman	Board Member	2008
Carla McCarthy	Board Member	2008
Joel Yorgey	Board Member	2007
(After September 2007 Election)		
Deborah Oulman	President	2010
Sheryl Noble	Vice-President	2009
Lowell Dohlman	Board Member	2008
Carla McCarthy	Board Member	2008
Joel Yorgey	Board Member	2010
School Officials		
Tom Hamrick	Superintendent	June 30, 2008
Darlene Hickle	District Secretary/ Treasurer	June 30, 2008
Aaron Murphy	Attorney	June 30, 2008



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Riceville Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Riceville Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 18, 2008 on my consideration of the Riceville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Riceville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Riceville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

General Fund revenues increased from \$3,891,446 in fiscal 2007 to \$3,986,791 in fiscal 2008, while General Fund expenditures increased from \$3,593,389 in fiscal 2007 to \$3,637,781 in fiscal 2008. The District's General Fund balance increased from \$300,713 in fiscal 2007 to \$649,723 in fiscal 2008.

The increase in General Fund revenues was attributable to an increase in property tax revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in negotiated salary and benefits.

An increase in interest rates during the past fiscal year resulted in interest earnings in the General Fund increasing from \$54,013 in fiscal 2007 to \$66,692 in fiscal 2008.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Riceville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Riceville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Riceville Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

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

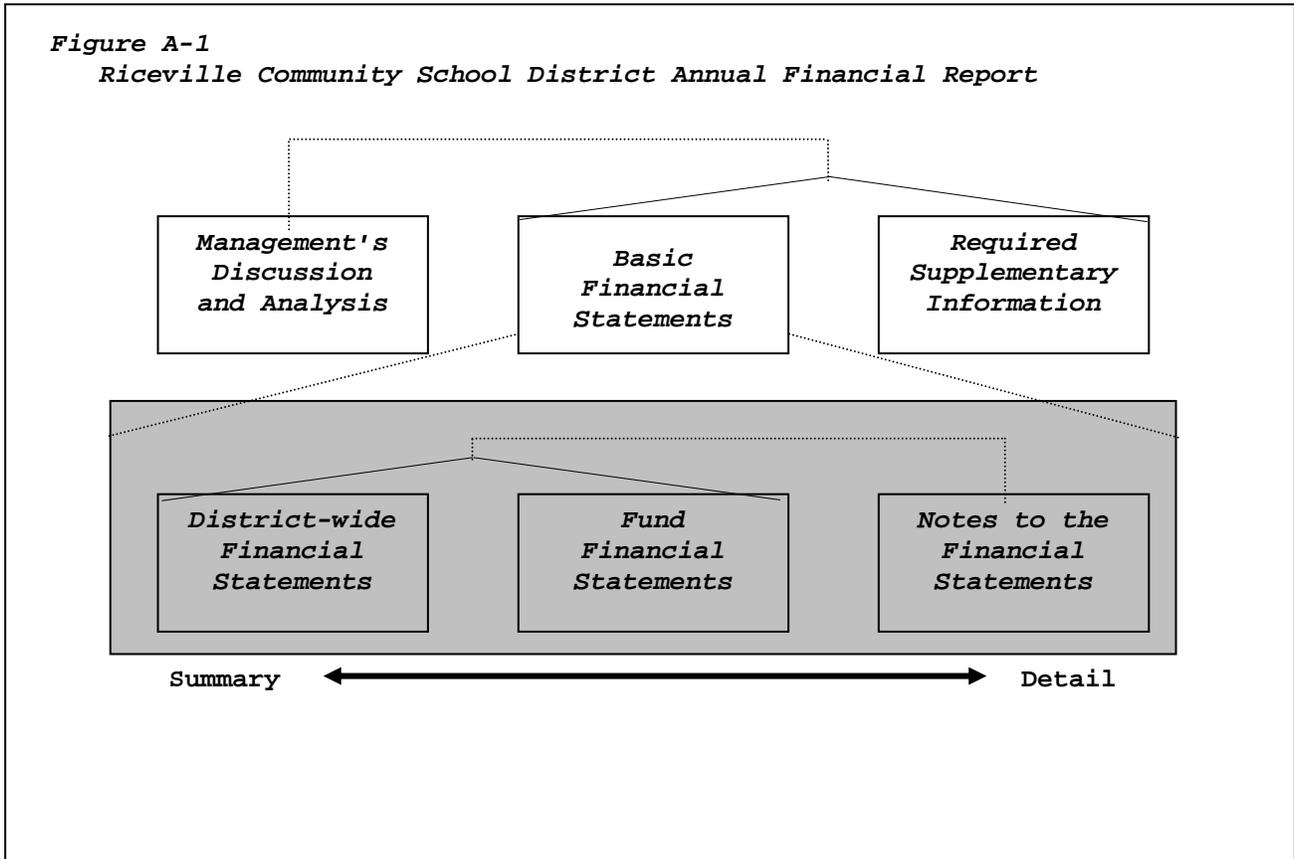


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

The table below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Condensed Statement of Net Assets									
(Expressed in Thousands)									
	<u>Governmental</u>		<u>Business type</u>		<u>Total</u>		<u>Total</u>		
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>		
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007 - 2008</u>		
Current and other assets	\$4,434	\$4,773	\$ 35	\$ 36	\$4,469	\$4,809	\$ (340)	(7.1)%	
Capital assets	<u>1,301</u>	<u>1,239</u>	<u>21</u>	<u>24</u>	<u>1,322</u>	<u>1,263</u>	<u>59</u>	<u>4.7</u>	
Total assets	<u>\$5,735</u>	<u>\$6,012</u>	<u>\$ 56</u>	<u>\$ 60</u>	<u>\$5,791</u>	<u>\$6,072</u>	<u>\$ (281)</u>	<u>(4.6)%</u>	
Other liabilities	<u>\$3,233</u>	<u>\$3,548</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$3,235</u>	<u>\$3,550</u>	<u>\$ (315)</u>	<u>(8.9)%</u>	
Net assets:									
Invested in capital assets	\$1,301	\$1,239	\$ 21	\$ 24	\$1,322	\$1,263	\$ 59	4.7%	
Restricted	306	504	-	-	306	504	(198)	(39.3)	
Unrestricted	<u>895</u>	<u>721</u>	<u>33</u>	<u>34</u>	<u>928</u>	<u>755</u>	<u>173</u>	<u>22.8</u>	
Total net Assets	<u>\$2,502</u>	<u>\$2,464</u>	<u>\$ 54</u>	<u>\$ 58</u>	<u>\$2,556</u>	<u>\$2,522</u>	<u>\$ 34</u>	<u>1.3%</u>	

The District's combined net assets increased by nearly 1.3%, or approximately \$34,000, over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g., land, infrastructure, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$198,000, or 39.3% over the prior year.

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 \$173,000, or 22.8%. This increase in unrestricted net assets was a result of increased revenues.

The table below shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

	Changes in Net Assets							
	(Expressed in Thousands)							
	Governmental		Business		Total		Total	
	Activities		type		District		Change	
June 30,		June 30,		June 30,		June 30,		
2008	2007	2008	2007	2008	2007	2007-2008		
Revenues:								
Program revenues:								
Charges for service	\$ 331	\$ 360	\$ 100	\$ 99	\$ 431	\$ 459	(28)	(6.1)%
Operating grants, contributions and restricted interest	515	499	68	67	583	566	17	3.0
General Revenues:								
Property Tax	2,405	2,280	-	-	2,405	2,280	125	5.5
Local option sales and service tax	177	230	-	-	177	230	(53)	(23.0)
Unrestricted state grants	865	1,138	-	-	865	1,138	(273)	(24.0)
Unrestricted investment earnings	73	64	-	-	73	64	9	14.1
Other	179	90	-	-	179	90	89	98.9
Total revenues	<u>\$4,545</u>	<u>\$4,661</u>	<u>\$ 168</u>	<u>\$ 166</u>	<u>\$4,713</u>	<u>\$4,827</u>	<u>\$(114)</u>	<u>(2.4)%</u>
Program expenses:								
Governmental activities:								
Instruction	\$2,467	\$2,425	\$ -	\$ -	\$2,467	\$2,425	\$ 42	1.7%
Support services	1,301	1,440	-	-	1,301	1,440	(139)	(9.6)
Non-instructional programs	9	-	173	166	182	166	16	9.6
Other expenses	730	414	-	-	730	414	316	76.3
Total expenses	<u>\$4,507</u>	<u>\$4,279</u>	<u>\$ 173</u>	<u>\$ 166</u>	<u>\$4,680</u>	<u>\$4,445</u>	<u>\$ 235</u>	<u>5.3%</u>
Change in net assets	<u>\$ 38</u>	<u>\$ 382</u>	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ 382</u>	<u>\$(349)</u>	<u>(91.4)%</u>

In fiscal 2008, property tax, operating grants and contributions, and unrestricted state grants account for 82% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 80% of the total expenses.

Governmental Activities

Revenues for governmental activities were approximately \$4,545,000 and expenses were approximately \$4,507,000. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	<u>2008</u>	<u>2007</u>	<u>Change 2007-2008</u>	<u>2008</u>	<u>2007</u>	<u>Change 2007-2008</u>
Instruction	\$2,467	\$2,425	1.7%	\$1,751	\$1,698	3.1%
Support services	1,301	1,440	(9.6)%	1,301	1,440	(9.6)%
Non-instructional programs	9	-	-	9	-	-
Other expenses	730	414	76.3%	599	282	112.4%
Total	<u>\$4,507</u>	<u>\$4,279</u>	<u>5.3%</u>	<u>\$3,660</u>	<u>\$3,420</u>	<u>7.0%</u>

For the year ended June 30, 2008:

The cost financed by users of the District's programs was \$331,372.

Federal and state governments subsidized certain programs with grants and contributions totaling \$514,750.

The net cost of governmental activities was financed with \$2,581,941 in property and other taxes and \$864,210 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$168,100 and expenses were \$172,888. The District's business type activities include the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

Governmental Fund Highlights

The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues was more than enough to offset the District's General Fund expenditures.

The General Fund balance increased from \$300,713 to \$649,723, due in part to the negotiated salary and benefits settlement and increase in property taxes.

The Capital Projects Fund balance decreased due to a decrease in property tax revenue. The District ended fiscal 2007 with a balance of \$357,772. Fiscal 2008 ended with a balance of \$248,127.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$58,434 at June 30, 2007 to \$53,646 at June 30, 2008, representing a decrease of 8%.

BUDGETARY HIGHLIGHTS

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

The District's receipts were \$435,612 less than budgeted receipts, a variance of 8.5%. The most significant variance resulted from the District receiving less revenue from state sources than anticipated.

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

The certified budget was exceeded in the other expenditures function during the year.

CAPITAL ASSETS

At June 30, 2008, the District had invested \$1,322,000, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-3) This represents a net increase of 4.7% 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 \$184,711.

The original cost of the District's capital assets was \$4,116,107. Governmental funds account for \$3,962,141, with the remainder of \$153,966 accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007 - 2008
Land	\$ 37	\$ 37	\$ -	\$ -	\$ 37	\$ 37	-%
Buildings	929	945	-	-	929	945	1.7
Furniture and equipment	335	257	21	24	356	281	26.7
Totals	<u>\$1,301</u>	<u>\$1,239</u>	<u>\$ 21</u>	<u>\$ 24</u>	<u>\$1,322</u>	<u>\$1,263</u>	<u>4.7%</u>

LONG-TERM DEBT

At June 30, 2008, the District had \$189,184 in other long-term debt outstanding. There was no long-term debt at the end of the prior year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

	Outstanding Long-Term Obligations (expressed in thousands)		
	Total		Total
	District		Change
	June 30,		June 30,
	2008	2007	2007 - 2008
Contract Payable	<u>\$ 189</u>	<u>\$ -</u>	<u>100.00%</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:

Our budget enrollment dropped by over 100 students in 5 years. Declining enrollment will continue to impact the District in future years. The District continues to have more students open enrolling in than enrolled out.

The District continues to experience an increase in the number of special education students at all three service levels.

Associated costs of additional special education students are those for counseling and at-risk programs, which continues to grow. This includes an Alternative High School setting that is in place for the 2008-2009 school year.

During 2008-2009, the District has completed or will complete several projects to renovate and repair the building, including roof repairs, tuck pointing exterior brick, and window repairs. In addition to the projects outside the building, there has been a major upgrade in lighting efficiency and heating improvements. Exterior doors are also being replaced throughout the building.

Improvements to the interior of the building include: Repainting of student lockers, new window coverings and new interior doors in the cafeteria.

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

Under the District's fully-insured health care plan with Blue Cross-Blue Shield, premiums remained stable with no increase for 2008-2009.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darlene Hickle, District Secretary, Riceville Community School District, Riceville, Iowa, 50466.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and investments	\$1,227,796	\$ 22,822	\$1,250,618
Receivables:			
Property tax:			
Succeeding year	2,136,104	-	2,136,104
Income surtax	120,085	-	120,085
Accounts	66,863	-	66,863
Accrued interest-ISCAP	8,439	-	8,439
Restricted ISCAP investments (Note 3)	874,359	-	874,359
Inventories	-	12,067	12,067
Capital assets, net of accumulated depreciation	<u>1,301,281</u>	<u>21,199</u>	<u>1,322,480</u>
Total assets	<u>\$5,734,927</u>	<u>\$ 56,088</u>	<u>\$5,791,015</u>
LIABILITIES:			
Early retirement payable	\$ 8,735	\$ -	\$ 8,735
Accounts payable	11,286	2,442	13,728
ISCAP warrants payable (Note 3)	878,398	-	878,398
ISCAP accrued interest payable	9,130	-	9,130
Deferred revenue - succeeding year property tax	2,136,104	-	2,136,104
Long term liabilities:			
Portion due within one year:			
Other long-term liabilities	29,871	-	29,871
Portion due after one year:			
Other long-term liabilities	<u>159,313</u>	<u>-</u>	<u>159,313</u>
Total liabilities	<u>\$3,232,837</u>	<u>\$ 2,442</u>	<u>\$3,235,279</u>
NET ASSETS:			
Invested in capital assets	\$1,301,281	\$ 21,199	\$1,322,480
Restricted for:			
Management levy	152,359	-	152,359
Physical plant and equipment levy	153,066	-	153,066
Unrestricted	<u>895,384</u>	<u>32,447</u>	<u>927,831</u>
Total net assets	<u>\$2,502,090</u>	<u>\$ 53,646</u>	<u>\$2,555,736</u>

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$1,629,605	\$ 186,756	\$ 372,204	\$ -
Special instruction	253,381	39,627	-	-
Other instruction	584,317	104,989	11,853	-
	<u>\$2,467,303</u>	<u>\$ 331,372</u>	<u>\$ 384,057</u>	<u>\$ -</u>
Support services:				
Student services	\$ 80,494	-	-	-
Instructional staff Services	104,420	-	-	-
Administration Services	412,417	-	-	-
Operation and maintenance of plant services	438,836	-	-	-
Transportation services	264,565	-	-	-
	<u>\$1,300,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Non-instructional programs	\$ 8,735	\$ -	\$ -	\$ -
Other expenditures:				
Facilities acquisition	\$ 417,441	\$ -	\$ -	\$ -
AEA flowthrough	130,693	-	130,693	-
Depreciation(unallocated)*	182,099	-	-	-
	<u>\$ 730,233</u>	<u>\$ -</u>	<u>\$ 130,693</u>	<u>\$ -</u>
Total governmental Activities	\$4,507,003	\$ 331,372	\$ 514,750	\$ -
Business type activities:				
Non-instructional programs:				
Food service operations	172,888	99,653	68,319	-
Total	<u>\$4,679,891</u>	<u>\$ 431,025</u>	<u>\$ 583,069</u>	<u>\$ -</u>

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

(Continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,070,645)	\$ -	\$ (1,070,645)
(213,754)	-	(213,754)
(467,475)	-	(467,475)
<u>\$ (1,751,874)</u>	<u>\$ -</u>	<u>\$ (1,751,874)</u>
\$ (80,494)	\$ -	\$ (80,494)
(104,420)	-	(104,420)
(412,417)	-	(412,417)
(438,836)	-	(438,836)
(264,565)	-	(264,565)
<u>\$ (1,300,732)</u>	<u>\$ -</u>	<u>\$ (1,300,732)</u>
<u>\$ (8,735)</u>	<u>\$ -</u>	<u>\$ (8,735)</u>
\$ (417,441)	\$ -	\$ (417,441)
-	-	-
(182,099)	-	(182,099)
<u>\$ (599,540)</u>	<u>\$ -</u>	<u>\$ (599,540)</u>
\$ (3,660,881)	\$ -	\$ (3,660,881)
<u>-</u>	<u>(4,916)</u>	<u>(4,916)</u>
<u>\$ (3,660,881)</u>	<u>\$ (4,916)</u>	<u>\$ (3,665,797)</u>

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2008

General Revenues:

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

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See Notes to Financial Statements.

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

Governmental Activities	Business Type Activities	Total
\$ 2,405,018	\$ -	\$2,405,018
176,923	-	176,923
864,210	-	864,210
73,399	128	73,527
179,450	-	179,450
\$ 3,699,000	\$ 128	\$ 3,699,128
\$ 38,119	\$ (4,788)	\$ 33,331
2,463,971	58,434	2,522,405
\$ 2,502,090	\$ 53,646	\$ 2,555,736

RICEVILLE COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS:				
Cash and investments	\$ 599,076	\$ 248,127	\$ 380,593	\$1,227,796
Receivables:				
Property taxes:				
Succeeding year	1,791,079	-	345,025	2,136,104
Income surtax	65,501	-	54,584	120,085
Accounts	66,663	-	200	66,863
Accrued interest-ISCAP	8,439	-	-	8,439
Restricted ISCAP investments (Note 3)	<u>874,359</u>	<u>-</u>	<u>-</u>	<u>874,359</u>
Total assets	<u>\$3,405,117</u>	<u>\$ 248,127</u>	<u>\$ 780,402</u>	<u>\$4,433,646</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 11,286	\$ -	\$ -	\$ 11,286
Early retirement payable	-	-	8,735	8,735
ISCAP warrants payable (Note 3)	878,398	-	-	878,398
ISCAP accrued interest payable	9,130	-	-	9,130
Deferred revenue:				
Succeeding year property tax	1,791,079	-	345,025	2,136,104
Other	65,501	-	54,584	120,085
Total liabilities	<u>\$2,755,394</u>	<u>\$ -</u>	<u>\$ 408,344</u>	<u>\$3,163,738</u>
Fund balances:				
Unreserved	<u>649,723</u>	<u>248,127</u>	<u>372,058</u>	<u>1,269,908</u>
Total liabilities and fund balances	<u>\$3,405,117</u>	<u>\$ 248,127</u>	<u>\$ 780,402</u>	<u>\$4,433,646</u>

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 To the Statement of Net Assets
 June 30, 2008

Total fund balances of governmental funds (page 18)	\$1,269,908
 <i>Amounts reported for governmental activities in the Statement of Net Assets is different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,301,281
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	120,085
Long-term liabilities, including notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(189,184)</u>
Net assets of governmental activities (page 13)	<u>\$2,502,090</u>

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$2,153,688	\$ 176,923	\$ 374,961	\$2,705,572
Tuition	223,692	-	-	223,692
Other	203,720	710	129,212	333,642
State sources	1,237,312	-	156	1,237,468
Federal sources	168,379	-	-	168,379
Total revenues	<u>\$3,986,791</u>	<u>\$ 177,633</u>	<u>\$ 504,329</u>	<u>\$4,668,753</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$1,625,471	\$ -	\$ 4,134	\$1,629,605
Special instruction	253,381	-	-	253,381
Other instruction	464,018	-	120,299	584,317
	<u>\$2,342,870</u>	<u>\$ -</u>	<u>\$ 124,433</u>	<u>\$2,467,303</u>
Support services:				
Student services	\$ 80,494	\$ -	\$ -	\$ 80,494
Instructional staff services	61,755	-	70,358	132,113
Administration services	391,744	-	20,673	412,417
Operation and maintenance of plant services	373,649	13,620	51,567	438,836
Transportation services	256,576	-	143,286	399,862
	<u>\$1,164,218</u>	<u>\$ 13,620</u>	<u>\$ 285,884</u>	<u>\$1,463,722</u>
Non-instructional program	\$ -	\$ -	\$ 8,735	\$ 8,735
Other expenditures:				
Facilities acquisition	\$ -	\$ 273,658	\$ 224,818	\$ 498,476
Long-term debt:				
Principal	-	-	19,914	19,914
AEA flowthrough	130,693	-	-	130,693
	<u>\$ 130,693</u>	<u>\$ 273,658</u>	<u>\$ 244,732</u>	<u>\$ 649,083</u>
Total expenditures	<u>\$3,637,781</u>	<u>\$ 287,278</u>	<u>\$ 663,784</u>	<u>\$4,588,843</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>\$ 349,010</u>	<u>\$(109,645)</u>	<u>\$(159,455)</u>	<u>\$ 79,910</u>
Other financing sources (uses):				
Other long-term debt issued	\$ -	\$ -	\$ 209,098	\$ 209,098
Operating transfers in	-	-	19,914	19,914
Operating transfers out	-	-	(19,914)	(19,914)
Total other financing Sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,098</u>	<u>\$ 209,098</u>
Net change in fund balances	\$ 349,010	\$(109,645)	\$ 49,643	\$ 289,008
Fund balances beginning of year	<u>300,713</u>	<u>357,772</u>	<u>322,415</u>	<u>980,900</u>
Fund balances end of year	<u>\$ 649,723</u>	<u>\$ 248,127</u>	<u>\$ 372,058</u>	<u>\$1,269,908</u>

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 To the Statement of Activities
 Year ended June 30, 2008

Net change in fund balances - total governmental funds \$ 289,008
 (page 20)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Net change in fixed assets	244,025	
Depreciation expense	<u>(182,099)</u>	61,926

Certain delinquent property tax not collected for several months after year and is not considered available revenue and is deferred in the governmental funds. (123,631)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(209,098)	
Repaid	<u>19,914</u>	<u>(189,184)</u>

Change in net assets of governmental activities (page 17) \$ 38,119

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2008

	<u>School Nutrition</u>
ASSETS:	
Cash and investments	\$ 22,822
Inventories	12,067
Capital assets, net of accumulated depreciation	<u>21,199</u>
Total assets	<u>\$ 56,088</u>
LIABILITIES:	
Accounts payable	<u>\$ 2,442</u>
NET ASSETS:	
Invested in capital assets	\$ 21,199
Unrestricted	<u>32,447</u>
Total net assets	<u>\$ 53,646</u>

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 99,653
Operating expenses:	
Non-instructional programs:	
Salaries and benefits	\$ 83,311
Purchased services	2,882
Supplies	84,082
Depreciation	2,613
Total operating expenses	<u>\$172,888</u>
Operating loss	<u>\$(73,235)</u>
Non-operating revenues:	
State sources	\$ 2,058
Federal sources	66,261
Interest income	128
Total non-operating revenues	<u>\$ 68,447</u>
Net income	\$ (4,788)
Net assets beginning of year	<u>58,434</u>
Net assets end of year	<u>\$ 53,646</u>

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$100,430
Cash received from miscellaneous operating activities	424
Cash paid to employees for services	(83,311)
Cash paid to suppliers for goods or services	(69,958)
Net cash used by operating activities	<u>\$(52,415)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,058
Federal grants received	47,134
Net cash provided by non-capital financing activities	<u>\$ 49,192</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 128</u>
Net increase in cash and cash equivalents	\$ (3,095)
Cash and cash equivalents beginning of year	<u>25,917</u>
Cash and cash equivalents end of year	<u>\$ 22,822</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$(73,235)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,192
Depreciation	2,613
Decrease in inventories	238
Increase in accounts payable	<u>777</u>
Net cash used by operating activities	<u>\$(52,415)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2008, the District received \$19,127 of federal commodities.	

See Notes to Financial Statements.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, the Riceville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Riceville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies - continued

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

Unrestricted net assets consist of net assets 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies - continued

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies - continued

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies - continued

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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

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

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

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies - continued

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies - continued

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) Cash and Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08B	1/23/08	1/23/09	\$ 554,775	\$ 8,318	\$ 555,961	\$ 9,008
2008-09A	6/26/08	6/25/09	319,584	121	322,437	122
			<u>\$ 874,359</u>	<u>\$ 8,439</u>	<u>\$ 878,398</u>	<u>\$ 9,130</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, 2008 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2007-08A	\$ -	\$ -	\$ -	\$ -

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>
2007-08A	4.500%	5.455%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,000	\$ -	\$ -	\$ 37,000
Capital assets being depreciated:				
Buildings and improvements	\$ 2,489,234	\$ -	\$ -	\$ 2,489,234
Furniture and equipment	1,228,825	244,025	36,943	1,435,907
Total capital assets being depreciated	\$ 3,718,059	\$ 244,025	\$ 36,943	\$ 3,925,141
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,544,479	\$ 15,464	\$ -	\$ 1,559,943
Furniture and equipment	971,225	166,635	36,943	1,100,917
Total accumulated depreciation	\$ 2,515,704	\$ 182,099	\$ 36,943	\$ 2,660,860
Total capital assets being depreciated, net	\$ 1,202,355	\$ 61,926	\$ -	\$ 1,264,281
Governmental activities capital assets, net	\$ 1,239,355	\$ 61,926	\$ -	\$ 1,301,281

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 153,966	\$ -	\$ -	\$ 153,966
Less accumulated depreciation	130,155	2,612	-	132,767
Business type activities capital assets, net	\$ 23,811	\$ 2,612	\$ -	\$ 21,199

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	\$ 182,099
Business type activities:	
Food service operations	\$ 2,612

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Contract payable	\$ -	\$ 209,908	\$ 19,914	\$ 189,184	\$ 29,871

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(5) Long-Term Liabilities - continued

Contract Payable

During the year ended June 30, 2008, the District entered into a contract for lighting improvements. The contract bears no interest and is payable from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2008 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>
2009	\$ 29,871
2010	29,871
2011	29,871
2012	29,871
2013	29,871
2014	29,871
2015	9,958
Total	<u>\$189,184</u>

During the year ended June 30, 2008, the District made principal payments totaling \$19,914 under the agreement.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits of \$85,883 were paid during the year ended June 30, 2008.

(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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$132,118, \$137,763 and \$119,398 respectively, equal to the required contributions for each year.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(7) **Risk Management**

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

(8) **Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$130,693 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) **Construction Commitment**

The District has entered into various contracts totaling \$45,994 for tuckpointing and window glazing. As of June 30, 2008, no costs had been incurred against the contracts. The balance of \$45,994 remaining at June 30, 2008 will be paid as work on the projects progresses.

(10) **Subsequent Event**

On July 21, 2008 the Board approved a contract for a new cooler/freezer in the amount of \$19,204. On August 18, 2008 the Board approved re-glazing an additional ten windows for \$6,136. On September 15, 2008 the Board approved the purchase of new tables in the amount of \$21,039.

Required Supplementary Information

RICEVILLE COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
RECEIPTS:		
Local sources	\$3,260,214	\$ 99,781
State sources	1,052,845	2,058
Federal sources	168,379	47,134
Total receipts	<u>\$4,481,438</u>	<u>\$ 148,973</u>
DISBURSEMENTS:		
Instruction	\$2,467,303	\$ -
Support services	1,532,155	-
Non-instructional programs	-	152,068
Other expenditures	309,292	-
Total disbursements	<u>\$4,308,750</u>	<u>\$ 152,068</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 172,688	\$ (3,095)
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ 172,688	\$ (3,095)
Balance beginning of year	<u>1,055,108</u>	<u>25,917</u>
Balance end of year	<u>\$1,227,796</u>	<u>\$ 22,822</u>

See Accompanying Independent Auditor's Report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
\$3,359,995	\$ 3,434,721	\$ 3,434,721	\$ (74,726)
1,054,903	1,340,302	1,340,302	(285,399)
215,513	291,000	291,000	(75,487)
<u>\$4,630,411</u>	<u>\$ 5,066,023</u>	<u>\$ 5,066,023</u>	<u>\$ (435,612)</u>
\$2,467,303	\$ 3,258,696	\$ 3,258,696	\$ 791,393
1,532,155	2,051,267	2,051,267	519,112
152,068	218,000	218,000	65,932
309,292	305,633	305,633	(3,659)
<u>\$4,460,818</u>	<u>\$ 5,833,596</u>	<u>\$ 5,833,596</u>	<u>\$1,372,778</u>
\$ 169,593	\$ (767,573)	\$ (767,573)	\$ 937,166
<u> -</u>	<u> 9,000</u>	<u> 9,000</u>	<u> (9,000)</u>
\$ 169,593	\$ (758,573)	\$ (758,573)	\$ 928,166
<u>1,081,025</u>	<u> 771,301</u>	<u> 771,301</u>	<u> 309,724</u>
<u>\$1,250,618</u>	<u>\$ 12,728</u>	<u>\$ 12,728</u>	<u>\$1,237,890</u>

RICEVILLE COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$4,481,438	\$ 187,315	\$4,668,753
Expenditures	4,308,750	280,093	4,588,843
Net	<u>\$ 172,688</u>	<u>\$ (92,778)</u>	<u>\$ 79,910</u>
Other financing sources, net	-	209,098	209,098
Beginning fund balances	<u>1,055,108</u>	<u>(74,208)</u>	<u>980,900</u>
Ending fund balances	<u>\$1,227,796</u>	<u>\$ 42,112</u>	<u>\$1,269,908</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 148,973	\$ 19,127	\$ 168,100
Expenses	152,068	20,820	172,888
Net	<u>\$ (3,095)</u>	<u>\$ (1,693)</u>	<u>\$ (4,788)</u>
Beginning net assets	<u>25,917</u>	<u>32,517</u>	<u>58,434</u>
Ending net assets	<u>\$ 22,822</u>	<u>\$ 30,824</u>	<u>\$ 53,646</u>

See Accompanying Independent Auditor's Report.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2008

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 Governmental Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 original budget.

During the year ended June 30, 2008, expenditures in the other expenditures function exceeded the amount budgeted.

Other Supplementary Information

RICEVILLE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue			Total
	Management	Student Activity	Physical Plant and Equipment Levy	
ASSETS:				
Cash and investments	\$ 161,094	\$ 66,433	\$ 153,066	\$ 380,593
Receivables:				
Property taxes:				
Succeeding year	200,000	-	145,025	345,025
Income surtax	-	-	54,584	54,584
Accounts receivable	-	200	-	200
	<u>\$ 361,094</u>	<u>\$ 66,633</u>	<u>\$ 352,675</u>	<u>\$ 780,402</u>
 LIABILITIES AND FUND BALANCES:				
Liabilities:				
Early retirement payable	\$ 8,735	\$ -	\$ -	\$ 8,735
Deferred Revenue:				
Succeeding year property tax	200,000	-	145,025	345,025
Other	-	-	54,584	54,584
Total liabilities	\$ 208,735	\$ -	\$ 199,609	\$ 408,344
Unreserved fund balances	152,359	66,633	153,066	372,058
	<u>\$ 361,094</u>	<u>\$ 66,633</u>	<u>\$ 352,675</u>	<u>\$ 780,402</u>

See Accompanying Independent Auditor's Report.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2008

	<u>Special Revenue</u>				<u>Total</u>
	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
REVENUES:					
Local sources:					
Local tax	\$199,905	\$ -	\$ 175,056	\$ -	\$ 374,961
Other	261	123,593	5,358	-	129,212
State sources	89	-	67	-	156
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$200,255</u>	<u>\$123,593</u>	<u>\$ 180,481</u>	<u>\$ -</u>	<u>\$ 504,329</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	\$ 4,134	\$ -	\$ -	\$ -	\$ 4,134
Other instruction	-	120,299	-	-	120,299
	<u>\$ 4,134</u>	<u>\$120,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,433</u>
Support services:					
Instructional staff services	\$ 1,421	\$ -	\$ 68,937	\$ -	\$ 70,358
Administration services	20,673	-	-	-	20,673
Operation and maintenance of plant services	25,949	-	25,618	-	51,567
Transportation services	7,989	-	135,297	-	143,286
	<u>\$ 56,032</u>	<u>\$ -</u>	<u>\$ 229,852</u>	<u>\$ -</u>	<u>\$ 285,884</u>
Non-instructional program	\$ 8,735	\$ -	\$ -	\$ -	\$ 8,735
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 224,818	\$ -	\$ 224,818
Long-term debt:					
Principal	-	-	-	19,914	19,914
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,818</u>	<u>\$ 19,914</u>	<u>\$ 244,732</u>
Total expenditures	<u>\$ 68,901</u>	<u>\$120,299</u>	<u>\$ 454,670</u>	<u>\$ 19,914</u>	<u>\$ 663,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$131,354</u>	<u>\$ 3,294</u>	<u>\$(274,189)</u>	<u>\$(19,914)</u>	<u>\$(159,455)</u>
Other financing sources (uses):					
Other long-term debt issued	\$ -	\$ -	\$ 209,098	\$ -	\$ 209,098
Operating transfers in	-	-	-	19,914	19,914
Operating transfers out	-	-	(19,914)	-	(19,914)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,184</u>	<u>\$ 19,914</u>	<u>\$ 209,098</u>
Excess (deficiency) of revenues And other financing sources over (under) expenditures and other financing uses	<u>\$131,354</u>	<u>\$ 3,294</u>	<u>\$ (85,005)</u>	<u>\$ -</u>	<u>\$ 49,643</u>
Fund balances beginning of year	<u>21,005</u>	<u>63,339</u>	<u>238,071</u>	<u>-</u>	<u>322,415</u>
Fund balances end of year	<u>\$152,359</u>	<u>\$ 66,633</u>	<u>\$ 153,066</u>	<u>\$ -</u>	<u>\$ 372,058</u>

See Accompanying Independent Auditor's Report.

RICEVILLE COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2008

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Annual	\$ 2,747	\$ 7,398	\$ 4,294	\$ 5,851
Athletics	4,174	43,753	47,876	51
Wrestling	2,748	2,434	3,077	2,105
Girls Basketball	416	-	-	416
Volleyball	375	65	60	380
Boys Basketball	52	-	-	52
Softball	259	-	-	259
Baseball	1,216	96	932	380
Cheerleaders	980	852	740	1,092
Class of 2007	40	-	40	-
Class of 2008	771	-	771	-
Class of 2009	1,102	3,005	2,905	1,202
Class of 2010	3,019	488	-	3,507
Class of 2011	3,853	-	21	3,832
Class of 2012	1,829	1,571	747	2,653
Class of 2013	1,132	2,188	1,261	2,059
Class of 2014	-	2,045	1,061	984
Future Farmers of America	18,546	38,198	41,934	14,810
Honor Society	582	178	293	467
Junior High Library	1,326	219	194	1,351
Senior High Library	62	-	62	-
Vocal Music	17	2,457	1,774	700
Instrumental Music	3,670	4,263	5,654	2,279
Resale:				
Shop	57	1,718	1,372	403
Vocational Agriculture	22	787	374	435
Spanish Class	34	-	-	34
Special Plans	9,983	8,941	1,510	17,414
Speech and Forensics	2,687	851	1,224	2,314
Journalism	53	-	-	53
Video Production	201	-	176	25
HS Student Council	704	568	684	588
MS Student Council	124	-	17	107
Intro to Manufacturing	54	-	-	54
Electrathon	157	-	-	157
Senior Graduation Account	346	391	375	362
Foods Class	-	1,124	868	256
Total	<u>\$ 63,338</u>	<u>\$123,590</u>	<u>\$120,296</u>	<u>\$ 66,632</u>

See Accompanying Independent Auditor's Report.

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

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$2,705,572	\$2,348,961	\$2,104,770	\$2,007,868	\$1,876,077
Tuition	223,692	216,260	195,239	156,087	108,229
Other	333,642	287,410	282,852	218,016	178,441
State sources	1,237,468	1,467,065	1,289,154	1,403,190	1,262,474
Federal sources	168,379	170,134	205,730	169,805	194,987
Total	<u>\$4,668,753</u>	<u>\$4,489,830</u>	<u>\$4,077,745</u>	<u>\$3,954,966</u>	<u>\$3,620,208</u>
Expenditures:					
Instruction:					
Regular instruction	\$1,629,605	\$1,582,941	\$1,454,349	\$1,452,958	\$1,547,523
Special instruction	253,381	573,884	419,474	368,598	272,466
Other instruction	584,317	267,974	485,726	423,577	464,293
Support services:					
Student services	80,494	79,853	92,833	117,210	111,184
Instructional staff					
services	132,113	102,340	81,403	108,739	70,667
Administration services	412,417	508,308	475,289	488,844	492,758
Operation and maintenance					
of plant services	425,216	408,681	376,840	371,090	317,152
Transportation services	399,862	340,750	367,977	269,025	232,702
Central support services	-	-	-	97,791	1,986
Non-instructional					
programs	8,735	-	-	-	8,611
Other expenditures:					
Facilities acquisition	512,096	268,998	299,453	180,233	151,943
Long-term debt:					
Principal	19,914	-	-	-	-
AEA flowthrough	130,693	131,731	127,246	128,100	130,590
Total	<u>\$4,588,843</u>	<u>\$4,265,460</u>	<u>\$4,180,590</u>	<u>\$4,006,165</u>	<u>\$3,801,875</u>

See Accompanying Independent Auditor's Report.



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

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

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Riceville Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 18, 2008. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My 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, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency and a deficiency I consider to be a material weakness.

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 the 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 the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency 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 the District's internal control.

My 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, I believe the significant deficiency described above, item II-A-08, is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit the District's responses and, accordingly, I 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 the Riceville Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



September 18, 2008

RICEVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2008

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

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

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits, posting of the cash receipts and disbursements and preparation of the bank reconciliation are all done by the same person.

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

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

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the certified budget amounts in the other expenditures function.

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

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

Conclusion - Response accepted.

IV-B-08 Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

RICEVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2008

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

- IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-08 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-08 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-08 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-08 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

