

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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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, 2008, 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, 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, we have also issued our report dated May 1, 2009 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 12 and 34 through 35 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, 2007, (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

May 1, 2009

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,714,963 in fiscal 2007 to \$5,927,221 in fiscal 2008, while General Fund expenditures increased from \$5,671,857 in fiscal 2007 to \$6,030,875 in fiscal 2008. The District's General Fund balance decreased from \$334,039 in fiscal 2007 to \$230,385 in fiscal 2008, a 31% decrease.
- The increase in General Fund revenues was attributable to an increase in miscellaneous revenue. The increase in General Fund expenditures can be attributed to increased personal costs and higher than expected fuel and energy costs.

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.

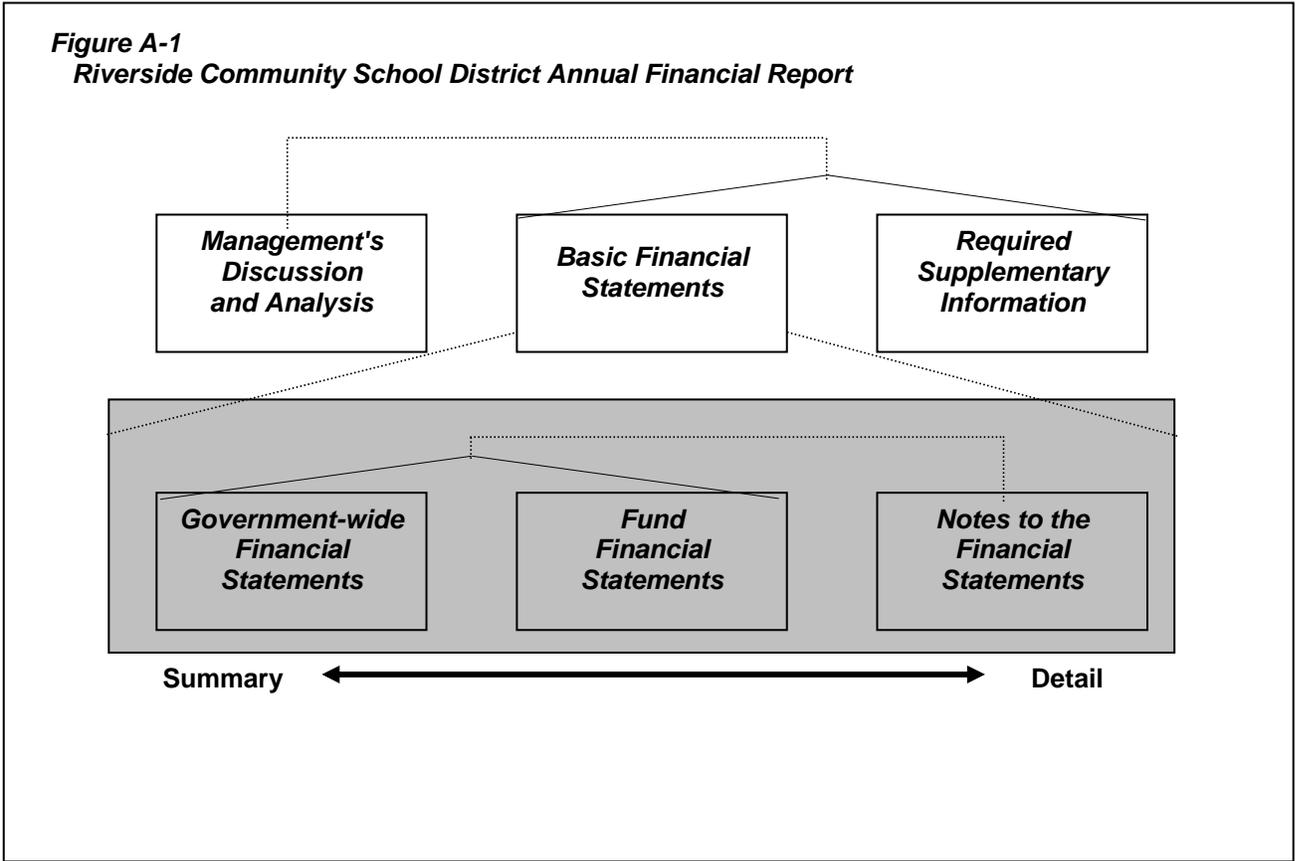


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2008 compared to June 30, 2007.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	\$
Current and other assets	6,873,314	6,712,009	43,482	79,896	6,916,796	6,791,905	-2%
Capital assets	2,947,695	3,022,242	22,281	19,021	2,969,976	3,041,263	2%
Total assets	9,821,009	9,734,251	65,763	98,917	9,886,772	9,833,168	-1%
Long-term liabilities	226,543	289,612	-	-	226,543	289,612	28%
Other liabilities	3,956,370	3,771,873	7,830	76,246	3,964,200	3,848,119	3%
Total liabilities	4,182,913	4,061,485	7,830	76,246	4,190,743	4,137,731	-1%
Net Assets:							
Invested in capital assets, net of related debt	2,831,181	2,963,566	22,281	19,021	2,853,462	2,982,587	5%
Restricted	2,140,982	2,163,255	-	-	2,140,982	2,163,255	1%
Unrestricted	665,933	545,945	35,652	3,650	701,585	549,595	-22%
TOTAL NET ASSETS	5,638,096	5,672,766	57,933	22,671	5,696,029	5,695,437	<-1%

The District's combined net assets decreased by less than 1% or approximately \$592, under 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 \$22,273 or 1% 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 decreased approximately \$151,990 or 22%.

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

Figure A-4

	Change in Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	468,367	529,754	188,547	212,471	656,914	742,225	13%
Operating grants & contributions	671,574	771,752	145,156	150,936	816,730	922,688	13%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	2,268,012	2,363,836	-	-	2,268,012	2,363,836	4%
Income Surtax	334,077	295,944	-	-	334,077	295,944	-11%
Local option sales tax	495,266	426,514	-	-	495,266	426,514	-14%
Unrestricted state grants	2,393,407	2,286,012	-	-	2,393,407	2,286,012	-4%
Unrestricted investment earnings	81,877	132,250	523	478	82,400	132,728	61%
Other revenue	26,563	-	-	-	26,563	-	100%
Total Revenues	6,739,143	6,806,062	334,226	363,885	7,073,369	7,169,947	1%
Expenses:							
Instruction	4,016,246	4,466,595	-	-	4,016,246	4,466,595	11%
Support services	1,959,271	1,836,241	-	-	1,959,271	1,836,241	-6%
Non-instructional programs	-	-	343,375	399,147	343,375	399,147	16%
Other expenditures	530,313	468,556	-	-	530,313	468,556	-12%
Total expenses	6,505,830	6,771,392	343,375	399,147	6,849,205	7,170,539	5%
Change in net assets before Transfers	233,313	34,670	-9,149	(35,262)	224,164	(592)	-100%
Transfers	-12,305	-	12,305	-	-	-	0%
CHANGE IN NET ASSETS	221,008	34,670	3,156	(35,262)	224,164	(592)	-100%
Net assets beginning of year	5,417,088	5,638,096	54,777	57,933	5,471,865	5,696,029	4%
Net assets end of year	5,638,096	5,672,766	57,933	22,671	5,696,029	5,695,437	<-1%

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,806,062 and expenses were \$6,771,392. 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 2008 \$	Net Cost of Services 2007 \$	Net Cost of Services 2008 \$
Instruction	4,016,246	4,466,595	3,210,048	3,402,135
Support Services	1,959,271	1,836,241	1,835,119	1,814,005
Non-instructional Programs	-	-	-	-
Other Expenses	530,313	468,556	320,722	253,746
TOTAL	<u>6,505,830</u>	<u>6,771,392</u>	<u>5,365,889</u>	<u>5,469,886</u>

- The cost financed by users of the District’s programs was \$529,754.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$771,752.
- The net cost of governmental activities was financed with \$3,086,294 in property and other taxes and \$2,286,012 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$363,885 and expenses were \$399,147. 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 \$2,624,576, above last year’s ending fund balances of \$2,585,050.

Governmental Fund Highlights

- The General Fund balance decreased from \$334,039 to \$230,385, due in part to an unexpected increase in fuel and energy costs as well as increased salaries and benefits.
- The Capital Projects Fund balance increased due to lack of expenditures for the year. Fiscal 2008 ended with a balance of \$1,975,150. This balance must be used for future capital improvements and equipment.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$12,796 at June 30, 2007 to \$(35,489) at June 30, 2008. The decrease in net assets is a result of depreciation as well as less inventory on hand. Additionally, the Nutrition Fund bears a greater responsibility for self-sufficiency.

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 \$212,053 less than budgeted receipts. The most significant variance resulted from the District receiving less revenues from state and local sources.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$3.0 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 \$204,020.

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.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2008
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	1,908,156	1,825,193	-	-	1,908,156	1,825,193	-4%
Improvements	753,430	830,831	-	-	753,430	830,831	10%
Equipment & Furniture	276,108	356,218	22,281	19,021	298,389	375,239	26%
TOTAL	2,947,694	3,022,242	22,281	19,021	2,969,975	3,041,263	2%

Long-Term Debt

The district had long-term capital lease debt of \$58,676 at June 30, 2008 and had \$230,936 long-term liability for early retirement at June 30, 2008.

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 2008 enrollment decreased by twelve students. This drop in enrollment will decrease the District's funding for fiscal year 2009.
- 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 2009. 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, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	739,982	-	739,982
Other	2,798,455	63,095	2,861,550
Receivables:			
Property tax:			
Delinquent	30,261	-	30,261
Succeeding year	2,640,093	-	2,640,093
Accounts	12,375	788	13,163
Accrued interest:			
ISCAP	281	-	281
Other	2,835	-	2,835
Due from other governments	487,727	-	487,727
Inventories	-	16,013	16,013
Capital assets, net of accumulated depreciation	3,022,242	19,021	3,041,263
	<u>9,734,251</u>	<u>98,917</u>	<u>9,833,168</u>
Total assets			
Liabilities			
Salaries and benefits payable	450,980	5,808	456,788
Interfund balances	(66,070)	66,070	-
Deferred revenue:			
Succeeding year property tax	2,640,093	-	2,640,093
Other	-	4,368	4,368
ISCAP warrants payable	734,000	-	734,000
ISCAP accrued interest payable	282	-	282
ISCAP premium	12,588	-	12,588
Long-term liabilities:			
Portion due within one year:			
Capital leases	58,676	-	58,676
Termination Benefits	48,331	-	48,331
Portion due after one year:			
Termination Benefits	182,605	-	182,605
	<u>4,061,485</u>	<u>76,246</u>	<u>4,137,731</u>
Total liabilities			
Net assets			
Invested in capital assets, net of related debt	2,963,566	19,021	2,982,587
Restricted for:			
Management levy	52,951	-	52,951
Capital Outlay	2,062,566	-	2,062,566
Other special revenue purposes	47,738	-	47,738
Unrestricted	545,945	3,650	549,595
	<u>5,672,766</u>	<u>22,671</u>	<u>5,695,437</u>
Total net assets			

See notes to financial statements.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

State of Activities

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,810,048	241,015	473,626	-
Special	835,938	88,008	2,542	-
Other	820,609	191,695	67,574	-
	<u>4,466,595</u>	<u>520,718</u>	<u>543,742</u>	<u>-</u>
Support services:				
Student	189,734	-	-	-
Instructional staff	120,140	-	13,200	-
Administration	613,669	8,414	-	-
Operation and maintenance of plant	566,046	-	-	-
Transportation	346,652	622	-	-
	<u>1,836,241</u>	<u>9,036</u>	<u>13,200</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	112,401	-	-	-
Long-term debt interest	161	-	-	-
AEA flowthrough	214,810	-	214,810	-
Depreciation (unallocated)*	141,184	-	-	-
	<u>468,556</u>	<u>-</u>	<u>214,810</u>	<u>-</u>
Total governmental activities	<u>6,771,392</u>	<u>529,754</u>	<u>771,752</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	311,162	141,941	120,936	-
Daycare	87,985	70,530	30,000	-
Total business-type activities	<u>399,147</u>	<u>212,471</u>	<u>150,936</u>	<u>-</u>
Total	<u>7,170,539</u>	<u>742,225</u>	<u>922,688</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				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,095,407)	-	(2,095,407)
(745,388)	-	(745,388)
(561,340)	-	(561,340)
<u>(3,402,135)</u>	<u>-</u>	<u>(3,402,135)</u>
(189,734)	-	(189,734)
(106,940)	-	(106,940)
(605,255)	-	(605,255)
(566,046)	-	(566,046)
(346,030)	-	(346,030)
<u>(1,814,005)</u>	<u>-</u>	<u>(1,814,005)</u>
(112,401)	-	(112,401)
(161)	-	(161)
-	-	-
(141,184)	-	(141,184)
<u>(253,746)</u>	<u>-</u>	<u>(253,746)</u>
<u>(5,469,886)</u>	<u>-</u>	<u>(5,469,886)</u>
-	(48,285)	(48,285)
-	12,545	12,545
<u>-</u>	<u>(35,740)</u>	<u>(35,740)</u>
<u>(5,469,886)</u>	<u>(35,740)</u>	<u>(5,505,626)</u>
2,288,064	-	2,288,064
75,772	-	75,772
295,944	-	295,944
426,514	-	426,514
2,286,012	-	2,286,012
132,250	478	132,728
<u>5,504,556</u>	<u>478</u>	<u>5,505,034</u>
34,670	(35,262)	(592)
<u>5,638,096</u>	<u>57,933</u>	<u>5,696,029</u>
<u>5,672,766</u>	<u>22,671</u>	<u>5,695,437</u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	739,982	-	-	739,982
Other	467,450	1,923,101	364,756	2,755,307
Receivables:				
Property tax:				
Delinquent	27,536	-	2,725	30,261
Succeeding year	2,388,796	-	251,297	2,640,093
Accounts	12,375	-	-	12,375
Accrued interest - ISCAP	281	-	-	281
Accrued interest - other	-	2,835	-	2,835
Interfund receivable	66,070	-	51,560	117,630
Due from other governments	438,513	49,214	-	487,727
Total assets	<u>4,141,003</u>	<u>1,975,150</u>	<u>670,338</u>	<u>6,786,491</u>
Liabilities and Fund Balances				
Liabilities:				
Salaries and benefits payable	450,980	-	-	450,980
Interfund payable	51,560	-	-	51,560
ISCAP warrants payable	734,000	-	-	734,000
ISCAP interest payable	282	-	-	282
ISCAP premium	12,588	-	-	12,588
Deferred revenue:				
Succeeding year property tax	2,388,796	-	251,297	2,640,093
Other	272,412	-	-	272,412
Total liabilities	<u>3,910,618</u>	<u>-</u>	<u>251,297</u>	<u>4,161,915</u>
Fund balances:				
Unreserved reported in:				
General fund	230,385	-	-	230,385
Special revenue funds	-	-	419,041	419,041
Capital projects funds	-	1,975,150	-	1,975,150
Total fund balances	<u>230,385</u>	<u>1,975,150</u>	<u>419,041</u>	<u>2,624,576</u>
Total liabilities and fund balances	<u>4,141,003</u>	<u>1,975,150</u>	<u>670,338</u>	<u>6,786,491</u>

RIVERSIDE 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 (Exhibit C)	2,624,576
<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.	3,022,242
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	272,412
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.	43,148
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>(289,612)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,672,766</u></u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,477,003	426,514	210,365	3,113,882
Tuition	169,227	-	-	169,227
Other	223,332	58,492	210,953	492,777
Intermediate sources	15,229	-	-	15,229
State sources	2,911,410	-	105	2,911,515
Federal sources	131,020	-	-	131,020
Total revenues	<u>5,927,221</u>	<u>485,006</u>	<u>421,423</u>	<u>6,833,650</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,694,951	-	-	2,694,951
Special	835,938	-	-	835,938
Other	616,227	-	204,382	820,609
	<u>4,147,116</u>	<u>-</u>	<u>204,382</u>	<u>4,351,498</u>
Support services:				
Student	189,734	-	-	189,734
Instructional staff	120,140	-	-	120,140
Administration	598,863	-	13,754	612,617
Operation and maintenance of plant	469,956	-	96,090	566,046
Transportation	290,256	-	4,800	295,056
	<u>1,668,949</u>	<u>-</u>	<u>114,644</u>	<u>1,783,593</u>
Other expenditures:				
Facilities acquisition	-	359,634	23,274	382,908
Long-term debt:				
Principal	-	-	57,838	57,838
Interest and fiscal charges	-	-	3,477	3,477
AEA flowthrough	214,810	-	-	214,810
	<u>214,810</u>	<u>359,634</u>	<u>84,589</u>	<u>659,033</u>
Total expenditures	<u>6,030,875</u>	<u>359,634</u>	<u>403,615</u>	<u>6,794,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(103,654)</u>	<u>125,372</u>	<u>17,808</u>	<u>39,526</u>
Other financing sources (uses):				
Operating transfers in	-	-	61,315	61,315
Operating transfers out	-	-	(61,315)	(61,315)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(103,654)	125,372	17,808	39,526
Fund balances beginning of year	<u>334,039</u>	<u>1,849,778</u>	<u>401,233</u>	<u>2,585,050</u>
Fund balances end of year	<u>230,385</u>	<u>1,975,150</u>	<u>419,041</u>	<u>2,624,576</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, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		39,526
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	275,307	
Depreciation expense	<u>(200,760)</u>	74,547
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(27,588)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		57,838
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		(120,907)
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>7,938</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>34,670</u></u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	63,095	43,148
Accounts receivable	788	-
Inventories	16,013	-
Capital assets, net of accumulated depreciation	19,021	-
	<u>98,917</u>	<u>43,148</u>
Total assets	<u>98,917</u>	<u>43,148</u>
Liabilities		
Interfund payable	66,070	-
Salaries and benefits payable	5,808	-
Deferred revenue	4,368	-
	<u>76,246</u>	<u>-</u>
Total liabilities	<u>76,246</u>	<u>-</u>
Net assets		
Invested in capital assets, net of related debt	19,021	-
Unrestricted	3,650	43,148
	<u>22,671</u>	<u>43,148</u>
Total net assets	<u><u>22,671</u></u>	<u><u>43,148</u></u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenues:		
Local sources:		
Charges for service	212,471	50,998
Operating expenses:		
Non-instructional programs:		
Salaries	185,824	-
Benefits	59,426	-
Purchased services	514	-
Supplies	150,123	-
Depreciation	3,260	-
Other	-	43,060
Total operating expenses	399,147	43,060
Operating gain (loss)	(186,676)	7,938
Non-operating revenues:		
State sources	3,393	-
Federal sources	147,543	-
Interest income	478	-
Total non-operating revenues	151,414	-
Change in net assets	(35,262)	7,938
Net assets beginning of year	57,933	35,210
Net assets end of year	22,671	43,148

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	142,190	-
Cash received from daycare services	70,530	-
Cash payments to employees for services	(243,426)	50,998
Cash payments to suppliers for goods or services	(130,130)	(48,400)
Net cash (used by) provided by operating activities	<u>(160,836)</u>	<u>2,598</u>
Cash flows from non-capital financing activities:		
Loans from (repaid to) other funds	66,070	-
State grants received	3,393	-
Federal grants received	126,392	-
Net cash provided by non-capital financing activities	<u>195,855</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	478	-
Net increase (decrease) in cash and cash equivalents	35,497	2,598
Cash and cash equivalents at beginning of year	<u>27,598</u>	<u>40,550</u>
Cash and cash equivalents at end of year	<u><u>63,095</u></u>	<u><u>43,148</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(186,676)	7,938
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	21,151	-
Depreciation	3,260	-
Decrease (increase) in inventories	(391)	-
Decrease (increase) in accounts receivable	(526)	-
(Decrease) increase in accounts payable	(253)	(5,340)
(Decrease) increase in salaries and benefits payable	1,824	-
(Decrease) increase in deferred revenue	775	-
Net cash (used by) provided by operating activities	<u>(160,836)</u>	<u>2,598</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$21,121 of federal commodities.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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 attributable 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 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 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, 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.

<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, 2008, expenditures did not exceed the published amounts budgeted, however the District did exceed its General Fund spending authority.

2. Cash and Pooled 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.

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, 2008 is as follows:

Receivable Fund	Payable Fund	Amount \$
Nonmajor Governmental: Management Fund	General Fund	30,073
Physical Plant and Equipment Fund	General Fund	21,487
General Fund	Nonmajor School Nutrition	66,070

These represent loans to the General Fund which are to be repaid in the next year. The General Fund has loaned the School Nutrition Fund money to cover deficits.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount \$
Debt service fund	Capital projects: local option sales tax fund	61,315

To transfer funds for the debt service payments.

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, 2008, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	06/26/08	06/25/09	\$ 739,982	\$ 281	\$ 734,000	\$ 282

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:

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>
	%	%
2008-09A	3.500	3.469

6. Capital Assets

Capital assets activity for the year ended June 30, 2008 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:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	6,625,396	-	-	6,625,396
Improvements other than buildings	854,316	133,334	9,036	978,614
Furniture and equipment	1,178,197	141,975	(9,035)	1,329,207
Total capital assets being deprec.	<u>8,657,909</u>	<u>275,309</u>	<u>1</u>	<u>8,933,217</u>
Less accumulated depreciation for:				
Buildings	4,717,240	82,963	-	4,800,203
Improvements other than buildings	100,886	48,931	2,034	147,783
Furniture and equipment	902,088	68,866	(2,035)	972,989
Total accumulated depreciation	<u>5,720,214</u>	<u>200,760</u>	<u>(1)</u>	<u>5,920,975</u>
Total capital assets being depreciated, net	<u>2,937,695</u>	<u>74,549</u>	<u>2</u>	<u>3,012,242</u>
Governmental activities capital assets, net	<u>2,947,695</u>	<u>74,549</u>	<u>2</u>	<u>3,022,242</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	60,869	-	-	60,869
Less accumulated depreciation	<u>38,588</u>	<u>3,260</u>	<u>-</u>	<u>41,848</u>
Business type activities capital assets, net	<u>22,281</u>	<u>(3,260)</u>	<u>-</u>	<u>19,021</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	2,128
Support services:	
Administration	1,052
Transportation	56,396
	<u>59,576</u>
Unallocated depreciation	141,184
	<u>200,760</u>
 Business type activities:	
Food services	<u>3,260</u>

7. 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 \$
Capital Leases	116,514	-	57,838	58,676	58,676
Termination benefits	110,029	143,091	22,184	230,936	48,331
Total	<u>226,543</u>	<u>143,091</u>	<u>80,022</u>	<u>289,612</u>	<u>107,007</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-seven 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, 2008, the District has obligations to nine participants with a total liability of \$230,936. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$22,184.

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, 2008.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2009	<u>61,315</u>
Minimum Lease Payments		61,315
Less Amount Representing Interest		<u>2,639</u>
Present Value of Minimum Lease Payments		<u>58,676</u>

General Obligation Bonds Payable

The District had no bond indebtedness at June 30, 2008.

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 3.90% 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 \$223,780, \$205,003 and \$195,803 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 \$214,810 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.

11. Deficit Fund Balances

At June 30, 2008 the District had a \$35,489 deficit net asset balance in the Enterprise School Nutrition Fund.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,775,886	212,949	3,988,835	4,091,997	4,091,997	(103,162)
Intermediate sources	15,229	-	15,229	4,500	4,500	10,729
State sources	2,911,515	3,393	2,914,908	3,168,091	3,168,091	(253,183)
Federal sources	131,020	147,543	278,563	145,000	145,000	133,563
Total revenues	<u>6,833,650</u>	<u>363,885</u>	<u>7,197,535</u>	<u>7,409,588</u>	<u>7,409,588</u>	<u>(212,053)</u>
Expenditures/Expenses:						
Instruction	4,351,498	-	4,351,498	4,521,923	4,521,923	170,425
Support services	1,783,593	-	1,783,593	2,270,167	2,270,167	486,574
Non-instructional programs	-	399,147	399,147	453,487	453,487	54,340
Other expenditures	659,033	-	659,033	2,580,345	2,580,345	1,921,312
Total expenditures/expenses	<u>6,794,124</u>	<u>399,147</u>	<u>7,193,271</u>	<u>9,825,922</u>	<u>9,825,922</u>	<u>2,632,651</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	39,526	(35,262)	4,264	(2,416,334)	(2,416,334)	2,420,598
Balance beginning of year	<u>2,585,050</u>	<u>57,933</u>	<u>2,642,983</u>	<u>2,674,707</u>	<u>2,674,707</u>	<u>(31,724)</u>
Balance end of year	<u><u>2,624,576</u></u>	<u><u>22,671</u></u>	<u><u>2,647,247</u></u>	<u><u>258,373</u></u>	<u><u>258,373</u></u>	<u><u>2,388,874</u></u>

RIVERSIDE 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 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 did not amend their budget.

During the year ended June 30, 2008, expenditures did not exceed the published amounts budgeted, however the District did exceed its General Fund spending authority.

OTHER SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity Fund	Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	252,092	47,738	64,926	364,756
Receivables:				
Property tax:				
Delinquent	1,722	-	1,003	2,725
Succeeding year	167,000	-	84,297	251,297
Interfund receivable	30,073	-	21,487	51,560
Total assets	450,887	47,738	171,713	670,338
Liabilities & Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	167,000	-	84,297	251,297
Fund balances:				
Unreserved reported in:				
Special revenue funds	283,887	47,738	87,416	419,041
Total liabilities and fund balances	450,887	47,738	171,713	670,338

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	134,593	-	75,772	-	210,365
Other	18,193	191,695	1,065	-	210,953
State sources	62	-	43	-	105
Total revenues	<u>152,848</u>	<u>191,695</u>	<u>76,880</u>	<u>-</u>	<u>421,423</u>
Expenditures:					
Current:					
Instruction:					
Other	-	204,382	-	-	204,382
Support services:					
Administration	13,754	-	-	-	13,754
Operation and maintenance of plant	96,090	-	-	-	96,090
Transportation services	-	-	4,800	-	4,800
Other expenditures:					
Facilities acquisition	-	-	23,274	-	23,274
Long-term debt:					
Principal	-	-	-	57,838	57,838
Interest and fiscal charges	-	-	-	3,477	3,477
Total expenditures	<u>109,844</u>	<u>204,382</u>	<u>28,074</u>	<u>61,315</u>	<u>403,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,004</u>	<u>(12,687)</u>	<u>48,806</u>	<u>(61,315)</u>	<u>17,808</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	61,315	61,315
Operating transfers out	-	-	(61,315)	-	(61,315)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(61,315)</u>	<u>61,315</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	43,004	(12,687)	(12,509)	-	17,808
Fund balances beginning of year	<u>240,883</u>	<u>60,425</u>	<u>99,925</u>	<u>-</u>	<u>401,233</u>
Fund balances end of year	<u>283,887</u>	<u>47,738</u>	<u>87,416</u>	<u>-</u>	<u>419,041</u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2008

	<u>Nonmajor Enterprise Funds</u>		
	School		Total
	Nutrition	Daycare	
	\$	\$	\$
Assets			
Cash and cash equivalents	-	63,095	63,095
Accounts receivable	788	-	788
Inventories	16,013	-	16,013
Capital assets, net of accumulated depreciation	19,021	-	19,021
	<u>35,822</u>	<u>63,095</u>	<u>98,917</u>
Total assets			
Liabilities			
Interfund payable	66,070	-	66,070
Salaries and benefits payable	873	4,935	5,808
Deferred revenue	4,368	-	4,368
	<u>71,311</u>	<u>4,935</u>	<u>76,246</u>
Total liabilities			
Net assets			
Invested in capital assets, net of related debt	19,021	-	19,021
Unrestricted	(54,510)	58,160	3,650
	<u>(35,489)</u>	<u>58,160</u>	<u>22,671</u>
Total net assets			

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, 2008

	<u>Nonmajor Enterprise Funds</u>		
	<u>School</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Daycare</u>	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	<u>141,941</u>	<u>70,530</u>	<u>212,471</u>
Operating expenses:			
Non-instructional programs:			
Salaries	117,459	68,365	185,824
Benefits	43,068	16,358	59,426
Purchased services	514	-	514
Supplies	146,861	3,262	150,123
Depreciation	3,260	-	3,260
Total operating expenses	<u>311,162</u>	<u>87,985</u>	<u>399,147</u>
Operating gain (loss)	<u>(169,221)</u>	<u>(17,455)</u>	<u>(186,676)</u>
Non-operating revenues:			
State sources	3,393	-	3,393
Federal sources	117,543	30,000	147,543
Interest income	-	478	478
Total non-operating revenues	<u>120,936</u>	<u>30,478</u>	<u>151,414</u>
Change in net assets	(48,285)	13,023	(35,262)
Net assets beginning of year	<u>12,796</u>	<u>45,137</u>	<u>57,933</u>
Net assets end of year	<u>(35,489)</u>	<u>58,160</u>	<u>22,671</u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2008

	NonMajor Enterprise Funds		
	School		Total
	Nutrition	Daycare	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	142,190	-	142,190
Cash received from daycare services	-	70,530	70,530
Cash payments to employees for services	(159,654)	(83,772)	(243,426)
Cash payments to suppliers for goods or services	(126,615)	(3,515)	(130,130)
Net cash (used by) provided by operating activities	<u>(144,079)</u>	<u>(16,757)</u>	<u>(160,836)</u>
Cash flows from non-capital financing activities:			
Loans from (repaid to) other funds	66,070	-	66,070
State grants received	3,393	-	3,393
Federal grants received	96,392	30,000	126,392
Net cash provided by non-capital financing activities	<u>165,855</u>	<u>30,000</u>	<u>195,855</u>
Cash flows from capital and related financing activities	-	-	-
Cash flows from investing activities:			
Interest on investments	-	478	478
Net increase (decrease) in cash and cash equivalents	21,776	13,721	35,497
Cash and cash equivalents at beginning of year	<u>(21,776)</u>	<u>49,374</u>	<u>27,598</u>
Cash and cash equivalents at end of year	<u>-</u>	<u>63,095</u>	<u>63,095</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(169,221)	(17,455)	(186,676)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	21,151	-	21,151
Depreciation	3,260	-	3,260
Decrease (increase) in inventories	(391)	-	(391)
Decrease (increase) in accounts receivable	(526)	-	(526)
(Decrease) increase in accounts payable	-	(253)	(253)
(Decrease) increase in salaries and benefits payable	873	951	1,824
(Decrease) increase in deferred revenue	775	-	775
Net cash (used by) provided by operating activities	<u>(144,079)</u>	<u>(16,757)</u>	<u>(160,836)</u>

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
5th grade project	1,667	501	365	1,803
Baseball camp	257	1,294	661	890
Dance team	1,542	9,064	9,171	1,435
FFA	5,472	9,578	9,763	5,287
US West-Rold	20	-	-	20
1st grade-US West	447	271	300	418
MS student activities	2,068	21,613	19,636	4,045
Middle school library	(789)	1,696	1,623	(716)
FCCLA	608	6,950	6,894	664
ITAG grant	5	-	-	5
6th grade opera	29	-	-	29
Annual	2,692	7,765	7,908	2,549
Volleyball camp	267	-	2	265
Athletics	(12,138)	60,868	66,350	(17,620)
Cross country	47	-	-	47
Band	9,373	1,232	737	9,868
Football cheerleaders	2,450	2,560	4,535	475
HS pop fund	2,692	898	2,453	1,137
Business professionals of America	-	60	-	60
DC trip	1,928	30,603	29,459	3,072
Basketball camp	63	-	-	63
Class of 2009	2,538	11,455	8,914	5,079
Inter't club	81	-	-	81
Student needs (civic donations)	4,030	498	-	4,528
JH band festival	584	-	-	584
MS student council	3,235	8,350	8,677	2,908
Science club	116	62	-	178
Library	225	16	-	241
North book fair	6,763	6,236	10,639	2,360
Preschool snack	149	1,697	736	1,110
R club	1,070	473	564	979
HS recognition area	1,937	-	1,384	553
Spring play	54	-	-	54
Special ed. needs (Putnam classroom)	895	319	610	604
8th grade team	1,632	-	-	1,632
Softball clinic	1,335	679	1,871	143
Speech	64	-	50	14
HS student council	5,240	1	2,197	3,044
Wrestling cheerleader	440	1,435	1,667	208

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Girls basketball camp	23	300	200	123
PC TAG camp	305	1,168	75	1,398
Vocal	450	-	-	450
Jump rope for heart	934	262	262	934
Art club	123	329	364	88
Class of 2008	3,695	130	2,820	1,005
Cheerleaders/BB	788	527	510	805
Class of 2010	485	1,015	337	1,163
Class of 2011	-	810	-	810
7th grade team	340	-	-	340
6th grade team	1,707	215	1,007	915
Outdoor classroom	128	-	-	128
MS vocal festival	875	-	677	198
Musical	549	765	470	844
Class of 2007	935	-	494	441
	<u>60,425</u>	<u>191,695</u>	<u>204,382</u>	<u>47,738</u>
Total				

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,113,882	3,063,277	2,892,498	2,729,667
Tuition	169,227	113,999	110,783	113,448
Other	492,777	452,204	424,954	296,157
Intermediate sources	15,229	-	-	-
State sources	2,911,515	2,920,328	2,822,573	2,990,315
Federal sources	131,020	144,653	152,721	143,921
Total revenues	<u>6,833,650</u>	<u>6,694,461</u>	<u>6,403,529</u>	<u>6,273,508</u>
Expenditures:				
Instruction:				
Regular	2,694,951	2,381,372	2,380,366	2,545,428
Special	835,938	803,953	830,959	883,740
Other	820,609	831,456	809,845	622,189
Support services:				
Student	189,734	180,071	184,844	190,846
Instructional staff	120,140	134,178	144,133	63,720
Administration	612,617	621,653	598,364	586,972
Operation and maintenance of plant	566,046	534,428	472,249	442,387
Transportation	295,056	438,144	360,060	271,719
Non-instructional programs	-	-	-	10,997
Other expenditures:				
Facilities acquisition	382,908	365,101	484,305	115,785
Long-term debt:				
Principal	57,838	-	-	-
Interest and other charges	3,477	-	-	-
AEA flowthrough	214,810	209,591	199,163	199,961
Total expenditures	<u>6,794,124</u>	<u>6,499,947</u>	<u>6,464,288</u>	<u>5,933,744</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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 1, 2009. 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 08-I-A, 08-I-B, 08-I-C and 08-I-D 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, 2008 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

May 1, 2009

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

08-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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-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, 2008

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

08-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.

08-I-D Bank Reconciliations: One of the main internal controls over the cash balances reported in the accounting records is the preparation of a monthly reconciliation of the bank statements to the cash balances in the financial records. The cash balances in the computer financial accounting records were not reconciled to the bank monthly.

Recommendation: Bank reconciliations should be prepared monthly. Any variances between the bank reconciliation and the cash balances in the financial statements should be investigated and resolved.

District Response: Monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

RIVERSIDE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, did not exceed the amounts in the published budget. The District did, however, exceed its General Fund spending authority for the year ended June 30, 2008.

Recommendation: The District should contact the Iowa Department of Education and the School Budget Review committee to resolve the unspent authorized budget issue.

District Response: We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion: Response accepted.

08-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.

08-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.

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

08-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.

08-II-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the board. We did note that the minutes were not always signed by the board president and secretary.

Recommendation: Minutes should be signed by the president and secretary every month.

District Response: We will get the minutes signed monthly.

Conclusion: Response accepted.

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

08-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, 2008

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

08-II-I Certified Annual Report (CAR): The Certified Annual Report was filed after the extended October, 2008 due date.

Recommendation: The District should file the CAR timely, however, the Iowa Dept of Education experienced some delays which contributed to late filings.

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

Conclusion: Response accepted.

08-II-J Financial Condition: The Student Activity Fund has a few accounts with deficit balances at June 30, 2008 and the School Nutrition Fund has a deficit at June 30, 2008 of \$35,489.

Recommendation: The District should continue to monitor these funds and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

08-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.

08-II-L Old outstanding checks: We noted that the District's bank reconciliations included a few old outstanding checks. Iowa Code Section 566 specifies that holders of unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then, reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.