

ROCK VALLEY
COMMUNITY SCHOOL DISTRICT

Rock Valley, Iowa

Independent Auditor's Reports
Basic Financial Statements and Supplemental Information
Schedule of Findings

June 30, 2008

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rock Valley Community School District (the District), Rock Valley, Iowa, 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 the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.



KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

To the Board of Education of
Rock Valley Community School District

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, 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 the District's basic 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 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.

Sioux City, Iowa
February 28, 2009

King, Reinsch, Prosser & Co., L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rock Valley Community School District (the 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 \$4,985,098 in fiscal 2007 to \$5,465,652 in fiscal 2008, while General Fund expenditures increased from \$4,936,483 in fiscal 2007 to \$5,449,105 in fiscal 2008. The District's General Fund balance increased from \$1,165,914 in fiscal 2007 to \$1,182,461 in fiscal 2008, a 1.42 percent increase.
- The increase in General Fund revenues was primarily attributable to increased state revenues for allowable growth and teacher salaries. The increase in General Fund expenditures was due primarily to teacher salary increases.
- The District completed construction of a building addition and street/driveway project during the fiscal year ending June 30, 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 the 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 the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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 Special Revenue Funds.

Reporting the District's Financial Activities

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

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

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

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business Type Activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

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

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

The District has 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, Management Levy, Physical Plant and Equipment Levy (PPEL) Fund, Student Activity, Debt Service 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 Fund, one type of proprietary fund, are the same as its business type activities, but provides 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 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-1 below provides a summary of the District's net assets at June 30, 2008 and 2007.

Figure A-1 (In Thousands)
Condensed Statement of Net Assets

| | Governmental Activities | | Business Type Activities | | Total District | | Total Percentage Change |
|---|-------------------------|-----------|--------------------------|--------|----------------|-----------|-------------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2007-2008 |
| Current and other assets | \$ 7,373 | \$ 8,199 | \$ 132 | \$ 138 | \$ 7,505 | \$ 8,337 | (10.0%) |
| Capital assets, net | 9,516 | 8,630 | 35 | 33 | 9,551 | 8,663 | 10.3% |
| Total assets | \$ 16,889 | \$ 16,829 | \$ 167 | \$ 171 | \$ 17,056 | \$ 17,000 | 0.3% |
| Long-term liabilities | \$ 6,830 | \$ 7,094 | \$ - | \$ - | \$ 6,830 | \$ 7,094 | (3.7%) |
| Other liabilities | 2,907 | 3,090 | 14 | 7 | 2,921 | 3,097 | (5.7%) |
| Total liabilities | \$ 9,737 | \$ 10,184 | \$ 14 | \$ 7 | \$ 9,751 | \$ 10,191 | (4.3%) |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | \$ 2,828 | \$ 2,021 | \$ 35 | \$ 33 | \$ 2,863 | \$ 2,054 | 39.4% |
| Restricted | 3,142 | 3,458 | - | - | 3,142 | 3,458 | (9.1%) |
| Unrestricted | 1,182 | 1,166 | 118 | 131 | 1,300 | 1,297 | 0.2% |
| Total net assets | \$ 7,152 | \$ 6,645 | \$ 153 | \$ 164 | \$ 7,305 | \$ 6,809 | 7.3% |

The largest portion of the District's net assets is the Invested in capital assets (e.g., land, 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. Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The increase in net assets invested in capital assets is due primarily to the completion of a building addition and street/driveway project during the year ended June 30, 2008.

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 9.1 percent (approximately \$316,000) over the prior year primarily due to the District's

involvement in construction projects during the prior year. The District received a Harkin Construction Grant in the amount of \$500,000 in 2007. \$450,000 was paid in 2007, and the remaining \$50,000 was paid in the 2008 budget year. This, along with the increased interest earned in 2007 due to the construction project bond money, accounts for the decrease in 2008.

Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net assets increased by approximately \$3,000 over the prior year.

Figure A-2 shows the change in net assets for the years ended June 30, 2008 and 2007.

Figure A-2 (In Thousands)
Changes in Net Assets

| | Governmental Activities | | Business Type Activities | | Total District | | Total Percentage Change |
|---|-------------------------|-----------------|--------------------------|---------------|-----------------|-----------------|-------------------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2007-2008 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 993 | \$ 945 | \$ 151 | \$ 148 | \$ 1,144 | \$ 1,093 | 4.7% |
| Operating grants, contributions and restricted interest | 1,036 | 837 | 136 | 151 | 1,172 | 988 | 18.6% |
| Capital grants and contributions | - | 450 | - | - | - | 450 | (100.0%) |
| General revenues: | | | | | | | |
| Property tax | 2,520 | 2,491 | - | - | 2,520 | 2,491 | 1.2% |
| Unrestricted state grants | 2,080 | 1,904 | - | - | 2,080 | 1,904 | 9.2% |
| Unrestricted investment earnings | 263 | 353 | 7 | 7 | 270 | 360 | (25.0%) |
| Other | <u>1</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>1</u> | <u>1</u> | <u>0.0%</u> |
| Total revenues | <u>\$ 6,893</u> | <u>\$ 6,981</u> | <u>\$ 294</u> | <u>\$ 306</u> | <u>\$ 7,187</u> | <u>\$ 7,287</u> | <u>(1.4%)</u> |
| Program expenses: | | | | | | | |
| Instruction | \$ 4,270 | \$ 3,774 | \$ - | \$ - | \$ 4,270 | \$ 3,774 | 13.1% |
| Support services | 1,628 | 1,403 | - | - | 1,628 | 1,403 | 16.0% |
| Non-instructional programs | - | - | 305 | 310 | 305 | 310 | (1.6%) |
| Other expenses | <u>488</u> | <u>508</u> | <u>-</u> | <u>-</u> | <u>488</u> | <u>508</u> | <u>(3.9%)</u> |
| Total expenses | <u>\$ 6,386</u> | <u>\$ 5,685</u> | <u>\$ 305</u> | <u>\$ 310</u> | <u>\$ 6,691</u> | <u>\$ 5,995</u> | <u>11.6%</u> |
| Change in net assets | <u>\$ 507</u> | <u>\$ 1,296</u> | <u>\$ (11)</u> | <u>\$ (4)</u> | <u>\$ 496</u> | <u>\$ 1,292</u> | <u>(61.6%)</u> |

Property tax and Unrestricted state grants account for 64.0 percent of the total revenue (60.3 percent in 2007). The District's expenses primarily relate to Instruction and Support services, which account for 88.1 percent of the total expenses (86.4 percent in 2007).

- Salary and benefit increases to staff and the increase in teacher compensation money play a large roll in the increase of District expenses. The District also started an early retirement 403B plan that is funded from the General Fund.
- The District received a preschool grant in the amount \$191,988 during the 2008 budget year. Including this grant, the 2008 revenue percentage of 64.0 percent is up only a small percent when compared to a prior three year period. This grant accounts for most of the increase from prior year.

Governmental Activities - Revenues for governmental activities were \$6,893,174 and expenses were \$6,385,912.

The following table presents the total and net cost of the District's major governmental activities for the years ended June 30, 2008 and 2007.

Figure A-3 (In Thousands)
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | Percent Change | Net Cost of Services | | Percent Change |
|------------------|------------------------|-----------------|----------------|----------------------|-----------------|----------------|
| | 2008 | 2007 | 2007-2008 | 2008 | 2007 | 2007-2008 |
| Instruction | \$ 4,270 | \$ 3,774 | 13.1% | \$ 2,535 | \$ 2,276 | 11.4% |
| Support services | 1,628 | 1,403 | 16.0% | 1,547 | 1,316 | 17.6% |
| Other expenses | 488 | 508 | (3.9%) | 275 | (139) | 297.8% |
| Totals | <u>\$ 6,386</u> | <u>\$ 5,685</u> | <u>12.3%</u> | <u>\$ 4,357</u> | <u>\$ 3,453</u> | <u>26.2%</u> |

- The cost financed by users of the District's programs was \$993,048 (\$944,725 in 2007).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,035,764 (\$1,286,704 in 2007).
- The net cost of governmental activities was financed with \$2,520,029 in property and other taxes (\$2,490,485 in 2007) and \$2,080,124 in unrestricted state grants (\$1,904,287 in 2007).

Business Type Activities - Revenues for business type activities were \$293,530 (\$298,421 in 2007) and expenses were \$304,649 (\$309,832 in 2007). The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Governmental Fund Analysis

As previously noted, the 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 \$4,504,546, below last year's ending fund balances of \$5,148,672. The District's proprietary fund reported end of year net assets of \$153,061, below last year's ending net assets of \$164,180.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$1,182,461 in its fund balance. The General Fund balance increased \$16,547 from last year due primarily to revenues increasing at a slightly higher rate than expenditures.

The Capital Projects Fund was created in 2004 as the result of a Sioux County voter-approved one percent local sales and services tax for the period January 1, 2004 through December 31, 2013. The funds generated will be used for construction, repairs and/or remodeling of school property.

The Capital Projects Fund Balance decreased \$787,038 during the year which primarily represents the construction related expenditures during the year. These expenditures were financed by a \$6,950,000 General Obligation Bond issued during the year ended June 30, 2006.

Proprietary Fund Highlights

Revenues for business type activities were \$293,530 and expenses were \$304,649. The District's business type activities included the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Budgetary Highlights

The District's actual receipts were more than budgeted receipts due primarily to over estimating revenues from local and state sources.

The District's actual disbursements were less than budget due primarily to under spending of all expenditure budgets.

The District does attempt to budget as closely as possible to what management believes actual receipts and expenditures will be. Ideally, management attempts to exceed all revenue budgets and under spend all expenditure budgets.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2008, the District had invested \$9,551,202, 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-4) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$225,314.

The original cost of the District's capital assets was \$13,706,909. Governmental funds account for \$13,637,264, with the remainder of \$69,645 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4 (In Thousands)
Capital Assets, Net of Depreciation

| | Governmental Activities | | Business Type Activities | | Total District | | Percent |
|----------------------------|-------------------------|----------|--------------------------|-------|----------------|----------|----------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | Change |
| Land | \$ 68 | \$ 68 | \$ - | \$ - | \$ 68 | \$ 68 | 0.0% |
| Land improvements | 360 | 214 | - | - | 360 | 214 | 68.2% |
| Construction in progress | - | 6,581 | - | - | - | 6,581 | (100.0%) |
| Buildings and improvements | 8,461 | 1,165 | - | - | 8,461 | 1,165 | 626.3% |
| Vehicles | 272 | 279 | - | - | 272 | 279 | (2.5%) |
| Machinery and equipment | 355 | 323 | 35 | 33 | 390 | 356 | 9.6% |
| Totals | \$ 9,516 | \$ 8,630 | \$ 35 | \$ 33 | \$ 9,551 | \$ 8,663 | 10.3% |

Long-Term Debt - At June 30, 2008, the District had \$180,513 early retirement payable and \$6,650,000 bonds payable. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The following table presents the District's long-term liabilities as of June 30, 2008 and 2007:

Figure A-5 (In Thousands)
Outstanding Long-Term Obligations

| | June 30, | | Percent Change |
|--------------------------|-----------------|-----------------|------------------|
| | <u>2008</u> | <u>2007</u> | <u>2007-2008</u> |
| General obligation bonds | \$ 6,650 | \$ 6,900 | (3.6%) |
| Early retirement | 181 | 194 | (6.7%) |
| | <u>\$ 6,831</u> | <u>\$ 7,094</u> | <u>(3.7%)</u> |

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- As expected, during the 07-08 school year, enrollment increased by 40 students, however, the District experienced a decrease of 15 students for the 08-09 school year. The District noted enrollment is still above the 8 year mark.
- The District will continue to monitor and discuss class size averages before any personnel changes will be made. The District does have a strong solvency ratio and fund balance that it has maintained for a number of years to help out with any economic factors.

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 Randy Taylor, Board Secretary, Rock Valley Community School District, 1712 20th Avenue, Rock Valley, Iowa 51247.

BASIC FINANCIAL STATEMENTS

ROCK VALLEY 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> |
|---|--|---|----------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents: | | | |
| ISCAP | \$ 3,925 | \$ - | \$ 3,925 |
| Other | 4,835,226 | 120,989 | 4,956,215 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 22,282 | - | 22,282 |
| Succeeding year | 2,312,553 | - | 2,312,553 |
| Accounts | 26,087 | 94 | 26,181 |
| Due from other funds | 7,302 | - | 7,302 |
| Due from other governments | 158,239 | - | 158,239 |
| Inventories | 7,500 | 11,042 | 18,542 |
| Capital assets, net of accumulated depreciation | <u>9,516,326</u> | <u>34,876</u> | <u>9,551,202</u> |
| Total assets | <u>\$ 16,889,440</u> | <u>\$ 167,001</u> | <u>\$ 17,056,441</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 482,370 | \$ - | \$ 482,370 |
| Salaries and benefits payable | 73,645 | - | 73,645 |
| Due to other funds | - | 7,302 | 7,302 |
| Accrued interest | 38,260 | - | 38,260 |
| Deferred revenue - succeeding year property tax | 2,312,553 | - | 2,312,553 |
| Deferred revenue - other | - | 6,638 | 6,638 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Early retirement | 39,888 | - | 39,888 |
| General obligation bonds | 260,000 | - | 260,000 |
| Portion due after one year: | | | |
| Early retirement | 140,625 | - | 140,625 |
| General obligation bonds | <u>6,390,000</u> | <u>-</u> | <u>6,390,000</u> |
| Total liabilities | <u>\$ 9,737,341</u> | <u>\$ 13,940</u> | <u>\$ 9,751,281</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | \$ 2,828,066 | \$ 34,876 | \$ 2,862,942 |
| Restricted for: | | | |
| Management levy | 174,064 | - | 174,064 |
| Physical plant and equipment levy | 1,002,340 | - | 1,002,340 |
| Other special revenue purposes | 144,381 | - | 144,381 |
| Capital projects | 1,657,797 | - | 1,657,797 |
| Debt service | 162,990 | - | 162,990 |
| Unrestricted | <u>1,182,461</u> | <u>118,185</u> | <u>1,300,646</u> |
| Total net assets | <u>\$ 7,152,099</u> | <u>\$ 153,061</u> | <u>\$ 7,305,160</u> |
| Total liabilities and net assets | <u>\$ 16,889,440</u> | <u>\$ 167,001</u> | <u>\$ 17,056,441</u> |

See notes to financial statements.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

| | | Program Revenues | |
|---|---------------------|--------------------------------|---|
| | <u>Expenses</u> | <u>Charges for Service</u> | <u>Operating Grants and Contributions</u> |
| FUNCTIONS/PROGRAMS: | | | |
| Governmental activities: | | | |
| Instruction: | | | |
| Regular instruction | \$ 2,856,037 | \$ 656,396 | \$ 617,476 |
| Special instruction | 766,579 | 79,981 | 86,710 |
| Other instruction | 646,849 | 256,671 | 37,447 |
| | <u>\$ 4,269,465</u> | <u>\$ 993,048</u> | <u>\$ 741,633</u> |
| Support services: | | | |
| Student services | \$ 177,515 | \$ - | \$ - |
| Instructional staff services | 30,506 | - | - |
| Administration services | 563,924 | - | - |
| Operation and maintenance of plant services | 618,307 | - | - |
| Transportation services | 237,766 | - | 81,129 |
| | <u>\$ 1,628,018</u> | <u>\$ -</u> | <u>\$ 81,129</u> |
| Other expenses: | | | |
| Long-term debt interest | \$ 275,427 | \$ - | \$ - |
| AEA flow through | 213,002 | - | 213,002 |
| | <u>\$ 488,429</u> | <u>\$ -</u> | <u>\$ 213,002</u> |
| Total governmental activities | <u>\$ 6,385,912</u> | <u>\$ 993,048</u> | <u>\$ 1,035,764</u> |
| Business type activities: | | | |
| Non-instructional programs: | | | |
| Food service operations | \$ 304,649 | \$ 150,848 | \$ 136,229 |
| Total business type activities | <u>\$ 304,649</u> | <u>\$ 150,848</u> | <u>\$ 136,229</u> |
| Total | <u>\$ 6,690,561</u> | <u>\$ 1,143,896</u> | <u>\$ 1,171,993</u> |
| GENERAL REVENUES: | | | |
| Property and other tax levied for: | | | |
| General purposes | | | |
| Capital projects (local option sales tax) | | | |
| Physical plant and equipment levy | | | |
| Debt service | | | |
| Management levy | | | |
| 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 | | |
|---|----------------------|-----------------------|
| <u>Governmental</u> | <u>Business Type</u> | |
| <u>Activities</u> | <u>Activities</u> | <u>Total</u> |
| \$ (1,582,165) | \$ - | \$ (1,582,165) |
| (599,888) | - | (599,888) |
| <u>(352,731)</u> | <u>-</u> | <u>(352,731)</u> |
| \$ <u>(2,534,784)</u> | \$ <u>-</u> | \$ <u>(2,534,784)</u> |
| \$ (177,515) | \$ - | \$ (177,515) |
| (30,506) | - | (30,506) |
| (563,924) | - | (563,924) |
| (618,307) | - | (618,307) |
| <u>(156,637)</u> | <u>-</u> | <u>(156,637)</u> |
| \$ <u>(1,546,889)</u> | \$ <u>-</u> | \$ <u>(1,546,889)</u> |
| \$ (275,427) | \$ - | \$ (275,427) |
| - | - | - |
| \$ <u>(275,427)</u> | \$ <u>-</u> | \$ <u>(275,427)</u> |
| \$ <u>(4,357,100)</u> | \$ <u>-</u> | \$ <u>(4,357,100)</u> |
| \$ - | \$ (17,572) | \$ (17,572) |
| \$ - | \$ (17,572) | \$ (17,572) |
| \$ <u>(4,357,100)</u> | \$ <u>(17,572)</u> | \$ <u>(4,374,672)</u> |
| \$ 1,598,716 | \$ - | \$ 1,598,716 |
| 283,918 | - | 283,918 |
| 169,083 | - | 169,083 |
| 451,273 | - | 451,273 |
| 17,039 | - | 17,039 |
| 2,080,124 | - | 2,080,124 |
| 262,813 | 6,453 | 269,266 |
| <u>1,396</u> | <u>-</u> | <u>1,396</u> |
| \$ <u>4,864,362</u> | \$ <u>6,453</u> | \$ <u>4,870,815</u> |
| \$ 507,262 | \$ (11,119) | \$ 496,143 |
| <u>6,644,837</u> | <u>164,180</u> | <u>6,809,017</u> |
| \$ <u>7,152,099</u> | \$ <u>153,061</u> | \$ <u>7,305,160</u> |

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

| <u>ASSETS</u> | <u>General</u> | <u>Physical Plant and Equipment Levy</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor</u> | <u>Total</u> |
|--|---------------------|--|-----------------------------|-------------------------|-------------------|---------------------|
| Cash and pooled investments: | | | | | | |
| ISCAP | \$ 3,925 | \$ - | \$ - | \$ - | \$ - | \$ 3,925 |
| Other | 1,244,987 | 1,010,595 | 1,928,289 | 158,975 | 492,380 | 4,835,226 |
| Receivables: | | | | | | |
| Property tax: | | | | | | |
| Current year | 16,586 | 1,504 | - | 4,015 | 177 | 22,282 |
| Succeeding year | 1,656,516 | 178,821 | - | 477,216 | - | 2,312,553 |
| Accounts | 14,436 | 3,543 | 5,246 | - | 2,862 | 26,087 |
| Due from other funds | 7,302 | - | - | - | - | 7,302 |
| Due from other governments | 109,262 | - | 48,977 | - | - | 158,239 |
| Inventory | - | - | - | - | 7,500 | 7,500 |
| Total assets | <u>\$ 3,053,014</u> | <u>\$ 1,194,463</u> | <u>\$ 1,982,512</u> | <u>\$ 640,206</u> | <u>\$ 502,919</u> | <u>\$ 7,373,114</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 140,392 | \$ 13,302 | \$ 324,715 | \$ - | \$ 3,961 | \$ 482,370 |
| Salaries and benefits payable | 73,645 | - | - | - | - | 73,645 |
| Deferred revenue: | | | | | | |
| Succeeding year property tax | 1,656,516 | 178,821 | - | 477,216 | - | 2,312,553 |
| Total liabilities | <u>\$ 1,870,553</u> | <u>\$ 192,123</u> | <u>\$ 324,715</u> | <u>\$ 477,216</u> | <u>\$ 3,961</u> | <u>\$ 2,868,568</u> |
| Fund balances: | | | | | | |
| Reserved for debt service | \$ - | \$ - | \$ - | \$ 162,990 | \$ - | \$ 162,990 |
| Unreserved: | | | | | | |
| Designated: | | | | | | |
| Building improvements and maintenance | 490,000 | - | - | - | - | 490,000 |
| Undesignated: | | | | | | |
| General fund | 692,461 | - | - | - | - | 692,461 |
| Special revenue funds | - | 1,002,340 | - | - | 498,958 | 1,501,298 |
| Capital projects fund | - | - | 1,657,797 | - | - | 1,657,797 |
| Total fund balances | <u>\$ 1,182,461</u> | <u>\$ 1,002,340</u> | <u>\$ 1,657,797</u> | <u>\$ 162,990</u> | <u>\$ 498,958</u> | <u>\$ 4,504,546</u> |
| Total liabilities and fund balances | <u>\$ 3,053,014</u> | <u>\$ 1,194,463</u> | <u>\$ 1,982,512</u> | <u>\$ 640,206</u> | <u>\$ 502,919</u> | <u>\$ 7,373,114</u> |

ROCK VALLEY 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 | \$ 4,504,546 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 9,516,326 |
| Long-term liabilities, including bonds payable and early-retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | (6,830,513) |
| Accrued interest payable on long-term debt is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | <u>(38,260)</u> |
| Net assets of governmental activities | <u>\$ 7,152,099</u> |

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

| | General | Physical Plant and Equipment Levy | Capital Projects | Debt Service | Nonmajor Special Revenue | Total |
|---|--------------|--|---------------------|-----------------|--------------------------------|--------------|
| Revenues: | | | | | | |
| Local sources: | | | | | | |
| Local tax | \$ 1,598,715 | \$ 169,083 | \$ 283,918 | \$ 451,273 | \$ 17,039 | \$ 2,520,028 |
| Tuition | 544,632 | - | - | - | - | 544,632 |
| Other | 205,406 | 141,551 | 87,743 | 2,000 | 274,529 | 711,229 |
| State sources | 2,886,832 | 102 | - | 273 | 11 | 2,887,218 |
| Federal sources | 230,067 | - | - | - | - | 230,067 |
| Total revenues | \$ 5,465,652 | \$ 310,736 | \$ 371,661 | \$ 453,546 | \$ 291,579 | \$ 6,893,174 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular instruction | \$ 2,736,651 | \$ - | \$ - | \$ - | \$ 61,951 | \$ 2,798,602 |
| Special instruction | 737,590 | - | - | - | - | 737,590 |
| Other instruction | 367,715 | - | - | - | 263,361 | 631,076 |
| | \$ 3,841,956 | \$ - | \$ - | \$ - | \$ 325,312 | \$ 4,167,268 |
| Support services: | | | | | | |
| Student services | \$ 169,463 | \$ - | \$ - | \$ - | \$ - | \$ 169,463 |
| Instructional staff services | 29,154 | - | - | - | - | 29,154 |
| Administration services | 542,598 | - | - | - | - | 542,598 |
| Operation and maintenance of plant services | 413,003 | - | - | - | 35,397 | 448,400 |
| Transportation services | 239,929 | - | - | - | 5,254 | 245,183 |
| | \$ 1,394,147 | \$ - | \$ - | \$ - | \$ 40,651 | \$ 1,434,798 |
| Other expenditures: | | | | | | |
| Principal | \$ - | \$ - | \$ - | \$ 250,000 | \$ - | \$ 250,000 |
| Interest and other charges | - | - | - | 276,866 | - | 276,866 |
| Facilities acquisition | - | 182,088 | 1,013,278 | - | - | 1,195,366 |
| AEA flow through | 213,002 | - | - | - | - | 213,002 |
| | \$ 213,002 | \$ 182,088 | \$ 1,013,278 | \$ 526,866 | \$ - | \$ 1,935,234 |
| Total expenditures | \$ 5,449,105 | \$ 182,088 | \$ 1,013,278 | \$ 526,866 | \$ 365,963 | \$ 7,537,300 |
| Excess (deficiency) of revenue over (under) expenditures | \$ 16,547 | \$ 128,648 | \$ (641,617) | \$ (73,320) | \$ (74,384) | \$ (644,126) |
| Other financing sources (uses): | | | | | | |
| Operating transfers in | \$ - | \$ - | \$ - | \$ 145,421 | \$ - | \$ 145,421 |
| Operating transfers out | - | - | (145,421) | - | - | (145,421) |
| Total other financing sources (uses) | \$ - | \$ - | \$ (145,421) | \$ 145,421 | \$ - | \$ - |
| Net change in fund balances | \$ 16,547 | \$ 128,648 | \$ (787,038) | \$ 72,101 | \$ (74,384) | \$ (644,126) |
| Fund balances beginning of year | 1,165,914 | 873,692 | 2,444,835 | 90,889 | 573,342 | 5,148,672 |
| Fund balances end of year | \$ 1,182,461 | \$ 1,002,340 | \$ 1,657,797 | \$ 162,990 | \$ 498,958 | \$ 4,504,546 |

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2008

| | |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ (644,126) |
|--|--------------|

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 capitalized in the Statement of Net Assets and are expensed 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 | \$ 1,106,668 | |
| Depreciation expense | <u>(220,177)</u> | 886,491 |

Governmental funds report repayment of bond principal as an expenditure, in contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This amount represents principal payments on general obligation bonds.

250,000

Early retirement expenses reported in the Statement of Activities are measured by the amount incurred during the year. However, in the governmental funds, early retirement expenditures are measured by the amount actually paid.

13,458

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due.

1,439

| | |
|---|-------------------|
| Change in net assets of governmental activities | <u>\$ 507,262</u> |
|---|-------------------|

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETS - PROPRIETARY FUNDJUNE 30, 2008

| | <u>School Nutrition</u> |
|---|-----------------------------|
| ASSETS: | |
| Cash and cash equivalents | \$ 120,989 |
| Accounts receivable | 94 |
| Inventories | 11,042 |
| Capital assets, net of accumulated depreciation | <u>34,876</u> |
| Total assets | <u>\$ 167,001</u> |
| LIABILITIES: | |
| Due to other funds | \$ 7,302 |
| Deferred revenue | <u>6,638</u> |
| Total liabilities | <u>\$ 13,940</u> |
| NET ASSETS: | |
| Invested in capital assets, net of related debt | \$ 34,876 |
| Unrestricted | <u>118,185</u> |
| Total net assets | <u>\$ 153,061</u> |
| Total liabilities and net assets | <u>\$ 167,001</u> |

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -

PROPRIETARY FUNDYEAR ENDED JUNE 30, 2008

| | <u>School Nutrition</u> |
|------------------------------|-----------------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for service | \$ <u>150,848</u> |
| Operating expenses: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | \$ 95,464 |
| Benefits | 26,455 |
| Supplies | 162,843 |
| Other | 14,750 |
| Depreciation | <u>5,137</u> |
| Total operating expenses | <u>\$ 304,649</u> |
| Operating loss | <u>\$ (153,801)</u> |
| Non-operating revenues: | |
| Interest income | \$ 6,453 |
| State sources | 6,326 |
| Federal sources | 107,828 |
| Food distribution | <u>22,075</u> |
| Total non-operating revenues | <u>\$ 142,682</u> |
| Change in net assets | \$ (11,119) |
| Net assets beginning of year | <u>164,180</u> |
| Net assets end of year | <u>\$ 153,061</u> |

ROCK VALLEY 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 | \$ 152,854 |
| Cash paid to employees for services | (121,919) |
| Cash paid to suppliers for goods or services | <u>(149,059)</u> |
| Net cash used by operating activities | <u>\$ (118,124)</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | \$ 6,326 |
| Federal grants received | <u>107,828</u> |
| Net cash provided by non-capital financing activities | <u>\$ 114,154</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | \$ <u>(7,397)</u> |
| Net cash used by capital and related financing activities | <u>\$ (7,397)</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>\$ 6,453</u> |
| Net change in cash and cash equivalents | \$ (4,914) |
| Cash and cash equivalents beginning of year | <u>125,903</u> |
| Cash and cash equivalents end of year | <u><u>\$ 120,989</u></u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ (153,801) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Commodities used | 22,075 |
| Depreciation | 5,137 |
| Decrease in accounts receivable | 1,684 |
| Increase in inventories | (842) |
| Decrease in due from other governments | 614 |
| Increase in due to other funds | 7,302 |
| Decrease in deferred revenues | <u>(293)</u> |
| Net cash used by operating activities | <u><u>\$ (118,124)</u></u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$21,870 of federal commodities.
See notes to financial statements.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Rock Valley Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. In addition, the District either operates or sponsors various adult education programs. The geographic areas served includes the City of Rock Valley, Iowa, and the predominant agricultural territory in Sioux and Lyon Counties in Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity - For financial reporting purposes, the 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 GASB 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 District has no component units which meet the GASB criteria.

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary 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 non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 plus unspent bond proceeds.

Restricted Net Assets - Result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - Consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used to account for certain costs, primarily land and facilities, improvements and transportation equipment.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Capital Projects Fund is used to account for certain costs, primarily construction, repairs and/or remodeling of school property.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

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

- 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, and special termination benefits 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 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 Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements.

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 are 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 balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax receivable is recognized in these funds on the legally enforceable claim date, which is the date that the tax asking is certified by the Board of Education. Current year 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 becomes due and collectible in September and March of the fiscal year with a 1-1/2 percent 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 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 \$1,000 and estimated useful lives in excess of two years.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|-----------------------------------|--|
| Buildings | 50 years |
| Improvements other than buildings | 20 years |
| Furniture and equipment | 5-15 years |

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 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 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.

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

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed budgeted amounts in any functional areas.

NOTE 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 ensure 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.

At June 30, 2008, the District had cash and investments as follows:

| | |
|-------------------------|---------------------|
| Cash | \$ 351,575 |
| Certificates of Deposit | <u>4,604,640</u> |
| | <u>\$ 4,956,215</u> |

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES:

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

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------|-----------------|
| General Fund | School Nutrition Fund | <u>\$ 7,302</u> |

The due from and due to other funds balance at June 30, 2008 is the result of the General Fund paying/accruing certain expenses on behalf of the School Nutrition Fund.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - 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 semi-annual 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 semi-annual 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 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> |
|---------------|---------------------|-------------------------------|--------------------|------------------------------------|-------------------------|---------------------------------|
| 2007-08A | 6/27/2007 | 6/27/2008 | \$ 3,925 | \$ - | \$ - | \$ - |

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 day 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 the warrant proceeds may be used in an amount equal to 25 percent of the warrant amount.

The warrant bears interest and the available proceeds of the warrant are invested at the interest rate shown below:

| <u>Series</u> | <u>Interest Rate on Warrant</u> | <u>Interest Rate on Investment</u> |
|---------------|---------------------------------|------------------------------------|
| 2007-08A | 4.500% | 5.448% |

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 - 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 | \$ 67,853 | \$ - | \$ - | \$ 67,853 |
| Construction in progress | <u>6,580,994</u> | <u>-</u> | <u>6,580,994</u> | <u>-</u> |
| Total capital assets not being depreciated | <u>\$ 6,648,847</u> | <u>\$ -</u> | <u>\$ 6,580,994</u> | <u>\$ 67,853</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | \$ 441,815 | \$ 187,525 | \$ - | \$ 629,340 |
| Buildings and improvements | 3,662,810 | 7,370,606 | - | 11,033,416 |
| Vehicles | 478,834 | 16,847 | - | 495,681 |
| Machinery and equipment | <u>1,298,290</u> | <u>112,684</u> | <u>-</u> | <u>1,410,974</u> |
| Total capital assets being depreciated | <u>\$ 5,881,749</u> | <u>\$ 7,687,662</u> | <u>\$ -</u> | <u>\$ 13,569,411</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | \$ 227,140 | \$ 42,136 | \$ - | \$ 269,276 |
| Buildings and improvements | 2,498,124 | 73,603 | - | 2,571,727 |
| Vehicles | 199,843 | 23,975 | - | 223,818 |
| Machinery and equipment | <u>975,654</u> | <u>80,463</u> | <u>-</u> | <u>1,056,117</u> |
| Total accumulated depreciation | <u>\$ 3,900,761</u> | <u>\$ 220,177</u> | <u>\$ -</u> | <u>\$ 4,120,938</u> |
| Total capital assets being depreciated, net | <u>\$ 1,980,988</u> | <u>\$ 7,467,485</u> | <u>\$ -</u> | <u>\$ 9,448,473</u> |
| Governmental activities capital assets, net | <u>\$ 8,629,835</u> | <u>\$ 7,467,485</u> | <u>\$ 6,580,994</u> | <u>\$ 9,516,326</u> |
| Business type activities: | | | | |
| Machinery and equipment | \$ 62,248 | \$ 7,397 | \$ - | \$ 69,645 |
| Less accumulated depreciation | <u>29,632</u> | <u>5,137</u> | <u>-</u> | <u>34,769</u> |
| Business type activities capital assets, net | <u>\$ 32,616</u> | <u>\$ 2,260</u> | <u>\$ -</u> | <u>\$ 34,876</u> |

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

| | |
|---------|------------|
| Regular | \$ 109,993 |
| Special | 28,989 |
| Other | 24,803 |

Support services:

| | |
|------------------------------------|--------------|
| Student | 8,052 |
| Instructional staff | 1,352 |
| Administration | 21,326 |
| Operation and maintenance of plant | 16,232 |
| Transportation | <u>9,430</u> |

Total depreciation expense - governmental activities \$ 220,177

Business type activities:

| | |
|-------------------------|-----------------|
| Food service operations | <u>\$ 5,137</u> |
|-------------------------|-----------------|

NOTE 6 - LONG-TERM LIABILITIES:

During the year ended June 30, 2006, the District issued \$6,950,000 General Obligation School Bonds for the purpose of the construction of a new elementary facility, library and reconstruction of existing junior/senior high school rooms to accommodate a middle school for grades 6-8. The bonds will be repaid annually over a scheduled maturity of twenty years using proceeds from a local option sales tax and a debt service tax levy.

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

| | Balance Beginning <u>of Year</u> | <u>Additions</u> | <u>Reductions</u> | Balance End <u>of Year</u> | Due Within <u>One Year</u> |
|--------------------------|--|------------------|-------------------|----------------------------------|----------------------------------|
| General obligation bonds | \$ 6,900,000 | \$ - | \$ 250,000 | \$ 6,650,000 | \$ 260,000 |
| Early retirement | <u>193,971</u> | <u>27,540</u> | <u>40,998</u> | <u>180,513</u> | <u>39,888</u> |
| Total | <u>\$ 7,093,971</u> | <u>\$ 27,540</u> | <u>\$ 290,998</u> | <u>\$ 6,830,513</u> | <u>\$ 299,888</u> |

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed ten years of 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 will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. Early retirement benefits consist of health insurance premiums until age 65 although the retiree is responsible for any premium increases. Early retirement benefits paid during the year ended June 30, 2008 totaled \$40,998. At June 30, 2008, the District had obligations to nine participants with a total liability of \$180,513. The total liability for early retirement are recorded as long-term liabilities in the government-wide financial statements.

General Obligation Bonds Payable - Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

| <u>Year Ending</u> <u>June30,</u> | <u>Interest</u> <u>Rates</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|---------------------------------|---------------------|---------------------|---------------------|
| 2009 | 3.50% | \$ 260,000 | \$ 267,716 | \$ 527,716 |
| 2010 | 4.00% | 275,000 | 258,616 | 533,616 |
| 2011 | 4.00% | 290,000 | 247,616 | 537,616 |
| 2012 | 4.00% | 300,000 | 236,016 | 536,016 |
| 2013 | 4.00% | 315,000 | 224,016 | 539,016 |
| Thereafter | 4.00-4.20% | <u>5,210,000</u> | <u>1,502,898</u> | <u>6,712,898</u> |
| | | <u>\$ 6,650,000</u> | <u>\$ 2,736,878</u> | <u>\$ 9,386,878</u> |

NOTE 7 - 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 percent of their annual covered salary and the District is required to contribute 6.05 percent of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$189,721, \$167,196, and \$160,661, respectively, equal to the required contributions for each year.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 8 - INTERFUND TRANSFERS:

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

| <u>Transfer To</u> | <u>Transfer From</u> | <u>Amount</u> |
|--------------------|-----------------------|-------------------|
| Debt Service Fund | Capital Projects Fund | <u>\$ 145,421</u> |

The above transfer was made in order to provide for a portion of the District's principal and interest payments on long-term debt.

NOTE 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.

NOTE 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 \$213,002 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.

NOTE 11 - CONSTRUCTION COMMITMENTS:

As of June 30, 2008, the District had entered into construction contracts with \$156,145 remaining to be paid upon completion of the work for new terrazzo flooring and the east and west parking lot project.

NOTE 12 - SUBSEQUENT EVENT:

On August 19, 2008, the District's Board of Education accepted a \$138,999 bid for the demolition of the Starkweather Elementary building.

REQUIRED SUPPLEMENTARY INFORMATION

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

| | Governmental Funds <u>Actual</u> | Proprietary Fund <u>Actual</u> |
|---|--|--------------------------------------|
| Revenues: | | |
| Local sources | \$ 3,775,900 | \$ 157,301 |
| State sources | 2,887,207 | 6,326 |
| Federal sources | <u>230,067</u> | <u>107,828</u> |
| Total revenues | <u>\$ 6,893,174</u> | <u>\$ 271,455</u> |
| Expenditures: | | |
| Instruction | \$ 4,167,268 | \$ - |
| Support services | 1,434,798 | - |
| Non-instructional programs | - | 282,574 |
| Other expenditures | <u>1,935,234</u> | <u>-</u> |
| Total expenditures | <u>\$ 7,537,300</u> | <u>\$ 282,574</u> |
| (Deficiency) excess of revenues (under) over expenditures | \$ (644,126) | \$ (11,119) |
| Balances beginning of year | <u>5,148,672</u> | <u>164,180</u> |
| Balances end of year | <u>\$ 4,504,546</u> | <u>\$ 153,061</u> |

See accompanying independent auditor's report.

| Total <u>Actual</u> | <u>Budgeted Amounts</u> | | Final to Actual <u>Variance</u> |
|------------------------|-------------------------|-----------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | |
| \$ 3,933,201 | \$ 3,431,275 | \$ 3,431,275 | \$ 501,926 |
| 2,893,533 | 2,836,685 | 2,836,685 | 56,848 |
| <u>337,895</u> | <u>380,000</u> | <u>380,000</u> | <u>(42,105)</u> |
| <u>\$ 7,164,629</u> | <u>\$ 6,647,960</u> | <u>\$ 6,647,960</u> | <u>\$ 516,669</u> |
| | | | |
| \$ 4,167,268 | \$ 4,320,293 | \$ 4,320,293 | \$ 153,025 |
| 1,434,798 | 2,154,000 | 2,154,000 | 719,202 |
| 282,574 | 325,000 | 325,000 | 42,426 |
| <u>1,935,234</u> | <u>3,621,029</u> | <u>3,621,029</u> | <u>1,685,795</u> |
| <u>\$ 7,819,874</u> | <u>\$ 10,420,322</u> | <u>\$ 10,420,322</u> | <u>\$ 2,600,448</u> |
| | | | |
| \$ (655,245) | <u>\$ (3,772,362)</u> | <u>\$ (3,772,362)</u> | <u>\$ (3,117,117)</u> |
| | | | |
| <u>5,312,852</u> | | | |
| | | | |
| <u>\$ 4,657,607</u> | | | |

ROCK VALLEY 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 Government Accounting Standards 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. 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures did not exceed budgeted amounts and the District did not exceed its unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR FUNDS

JUNE 30, 2008

ASSETS

| | <u>Student Activity</u> | <u>Management Levy</u> | <u>Total</u> |
|-----------------------------|-----------------------------|----------------------------|-----------------------|
| Cash and pooled investments | \$ 139,394 | \$ 352,986 | \$ 492,380 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | - | 177 | 177 |
| Accounts | 1,448 | 1,414 | 2,862 |
| Inventory | <u>7,500</u> | <u>-</u> | <u>7,500</u> |
| Total assets | <u>\$ 148,342</u> | <u>\$ 354,577</u> | <u>\$ 502,919</u> |

LIABILITIES AND FUND EQUITY

| | | | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| Liabilities: | | | |
| Accounts payable | \$ 3,961 | \$ - | \$ 3,961 |
| Total liabilities | \$ 3,961 | \$ - | \$ 3,961 |
| Fund equity: | | | |
| Unreserved fund balances | <u>144,381</u> | <u>354,577</u> | <u>498,958</u> |
| Total liabilities and fund equity | <u>\$ 148,342</u> | <u>\$ 354,577</u> | <u>\$ 502,919</u> |

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR FUNDS

YEAR ENDED JUNE 30, 2008

| | <u>Student Activity</u> | <u>Management Levy</u> | <u>Total</u> |
|---|-----------------------------|----------------------------|-------------------|
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ - | \$ 17,039 | \$ 17,039 |
| Other | 256,765 | 17,764 | 274,529 |
| State sources | <u>-</u> | <u>11</u> | <u>11</u> |
| Total revenues | <u>\$ 256,765</u> | <u>\$ 34,814</u> | <u>\$ 291,579</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular instruction | \$ - | \$ 61,951 | \$ 61,951 |
| Other instruction | <u>263,361</u> | <u>-</u> | <u>263,361</u> |
| | <u>\$ 263,361</u> | <u>\$ 61,951</u> | <u>\$ 325,312</u> |
| Support services: | | | |
| Operation and maintenance of plant services | \$ - | \$ 35,397 | \$ 35,397 |
| Transportation services | <u>-</u> | <u>5,254</u> | <u>5,254</u> |
| | <u>\$ -</u> | <u>\$ 40,651</u> | <u>\$ 40,651</u> |
| Total expenditures | <u>\$ 263,361</u> | <u>\$ 102,602</u> | <u>\$ 365,963</u> |
| Net change in fund balance | \$ (6,596) | \$ (67,788) | \$ (74,384) |
| Fund balances beginning of year | <u>150,977</u> | <u>422,365</u> | <u>573,342</u> |
| Fund balances end of year | <u>\$ 144,381</u> | <u>\$ 354,577</u> | <u>\$ 498,958</u> |

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2008

| ACCOUNT: | Balance Beginning of Year | Revenues and Interfund Transfers | Expenditures | Intrafund Transfers | Balance End of Year |
|-----------------------------------|---------------------------------|--|-------------------|------------------------|---------------------------|
| Agriculture resale | \$ 214 | \$ - | \$ - | \$ - | \$ 214 |
| Art resale | 2,862 | 99 | 104 | 37 | 2,894 |
| Band resale | 240 | 2,820 | 3,039 | - | 21 |
| TSA resale | 1,679 | 3,759 | 775 | 10 | 4,673 |
| Spirit Club resale | 6,172 | 19,687 | 24,406 | - | 1,453 |
| Basketball | 3,489 | 11,716 | 6,713 | (4,109) | 4,383 |
| Football | (23) | 17,202 | 27,104 | 9,925 | - |
| Baseball | 928 | 438 | 6,954 | 5,606 | 18 |
| Golf | - | 41 | 197 | 156 | - |
| Wrestling | - | 4,573 | 18,953 | 14,380 | - |
| Track | - | 15 | 3,068 | 3,053 | - |
| Junior high boys athletics | 66 | 220 | 1,310 | 1,024 | - |
| Junior high girls athletics | - | - | 1,104 | 1,104 | - |
| High school girls basketball | 5,016 | 5,533 | 917 | (5,011) | 4,621 |
| High school girls volleyball | - | 2,996 | 8,094 | 5,098 | - |
| High school girls track | 896 | 427 | - | - | 1,323 |
| Tournaments | 12,642 | 16,053 | 19,801 | (5,146) | 3,748 |
| Annual 2008 | - | 17,608 | 7,441 | 300 | 10,467 |
| Annual 2007 | 5,383 | 490 | 6,568 | 695 | - |
| Instrument rent/repair | (383) | 1,690 | 3,061 | 1,312 | (442) |
| Band and vocal | 216 | 4,236 | 6,544 | 2,013 | (79) |
| Club reserve | 13,956 | - | 296 | 1,482 | 15,142 |
| Class of 2008 | 10,210 | - | 8,037 | (2,173) | - |
| Class of 2009 | 6,178 | 5,307 | 5,424 | (1,537) | 4,524 |
| Class of 2010 | 3,513 | 2,927 | 2,125 | 2,116 | 6,431 |
| Class of 2011 | 3,455 | 280 | 14 | 1,095 | 4,816 |
| Class of 2012 | 1,384 | 935 | 778 | 1,084 | 2,625 |
| Class of 2013 | - | 389 | 452 | 1,037 | 974 |
| Class of 2014 | - | 175 | 243 | - | (68) |
| Cheerleaders | 1,348 | 4,336 | 5,320 | 272 | 636 |
| FFA | 4,152 | 35,352 | 35,388 | (345) | 3,771 |
| FHA | 668 | 1,257 | 1,088 | - | 837 |
| Pep club | 831 | 220 | 656 | - | 395 |
| Student council | 368 | 9,943 | 9,250 | 1,345 | 2,406 |
| TSA program | 1,226 | 4,445 | 3,631 | - | 2,040 |
| FCH | 362 | - | 100 | - | 262 |
| Library club | 587 | - | - | - | 587 |
| Elementary activity | 1,319 | 14,934 | 13,699 | - | 2,554 |
| Spanish club | 88 | 1,466 | 430 | - | 1,124 |
| Spirit club | 2,778 | 13,583 | 3,619 | (602) | 12,140 |
| Interest | 35,903 | 5,435 | - | (18,247) | 23,091 |
| Adult activity tickets | - | 6,980 | - | (6,980) | - |
| Magazine sale | - | 9,415 | 5,573 | (3,842) | - |
| Student pictures | 18,991 | 14,323 | 13,687 | (636) | 18,991 |
| Miscellaneous insurance - student | 28 | 1,154 | 1,154 | (28) | - |
| Activity tickets | - | 4,400 | - | (4,400) | - |
| Drama and speech | - | 4,438 | 5,990 | 1,552 | - |
| FFA test plot | 4,235 | 5,468 | 254 | (1,640) | 7,809 |
| Total | \$ 150,977 | \$ 256,765 | \$ 263,361 | \$ - | \$ 144,381 |

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS

FOR THE LAST FIVE YEARS ENDED JUNE 30,

| | Modified Accrual Basis | | | | |
|--|------------------------|----------------------|---------------------|---------------------|---------------------|
| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 2,520,028 | \$ 2,490,485 | \$ 1,954,019 | \$ 1,995,560 | \$ 1,906,606 |
| Tuition | 544,643 | 563,893 | 548,739 | 474,848 | 421,841 |
| Other | 711,229 | 734,322 | 675,227 | 383,855 | 338,205 |
| State sources | 2,887,207 | 2,952,460 | 2,379,024 | 2,177,666 | 1,904,478 |
| Federal sources | <u>230,067</u> | <u>239,845</u> | <u>225,874</u> | <u>224,333</u> | <u>178,225</u> |
| Total | <u>\$ 6,893,174</u> | <u>\$ 6,981,005</u> | <u>\$ 5,782,883</u> | <u>\$ 5,256,262</u> | <u>\$ 4,749,355</u> |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular instruction | \$ 2,798,602 | \$ 2,433,989 | \$ 2,247,721 | \$ 2,238,603 | \$ 2,228,859 |
| Special instruction | 737,590 | 595,827 | 594,036 | 517,314 | 429,209 |
| Other instruction | 631,076 | 578,173 | 490,871 | 574,282 | 521,679 |
| Support services: | | | | | |
| Student services | 204,860 | 226,839 | 213,440 | 109,853 | 103,858 |
| Instructional staff services | 34,408 | 74,956 | 75,214 | 75,229 | 76,629 |
| Administration services | 542,598 | 500,035 | 476,282 | 453,033 | 439,470 |
| Operation and maintenance of plant services | 413,003 | 389,182 | 406,119 | 492,963 | 421,840 |
| Transportation services | 239,929 | 269,035 | 175,457 | 198,364 | 218,845 |
| Other expenditures: | | | | | |
| Facilities acquisition | 1,195,366 | 5,596,647 | 1,061,389 | 118,224 | 1,505 |
| Long-term debt: | | | | | |
| Principal | 250,000 | 50,000 | - | - | 13,507 |
| Interest and other charges | 276,866 | 440,711 | - | - | 907 |
| AEA flow through | <u>213,002</u> | <u>196,955</u> | <u>187,873</u> | <u>178,464</u> | <u>176,940</u> |
| Total | <u>\$ 7,537,300</u> | <u>\$ 11,352,349</u> | <u>\$ 5,928,402</u> | <u>\$ 4,956,329</u> | <u>\$ 4,633,248</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
Rock Valley Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rock Valley Community School District (the 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 February 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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 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. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings 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 the District's internal control.



KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

To the Board of Education
Rock Valley Community School District

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 I-A-08 and I-B-08 are material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the 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 the District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. 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 the 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.

Sioux City, Iowa
February 28, 2009

King, Reinsch, Prosser & Co., L.L.P.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-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. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties of the general, special revenue and debt service funds. In addition, the Board Secretary has primary responsibility for the enterprise fund.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

(CONTINUED)

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

I-B-08 Preparation of Financial Statements in Accordance with GAAP - The financial statements are the responsibility of the District's management. That responsibility is satisfied by either (a) management preparing the financial statements in accordance with GAAP or (b) management demonstrating the necessary GAAP expertise when reviewing and approving financial statements (that the auditor has assisted in drafting) and the various schedules and calculations used to prepare such financial statements. Management does review draft financial statements prior to issuance but does not fully possess a knowledge of the District's GAAP financial reporting process.

Recommendation - We recommend management review the District's GAAP financial reporting process and seek the necessary guidance/training so as to more fully understand the process to prepare the District's financial statements in accordance with GAAP.

Response - The District understands the nature of the weakness and the necessity for management to further its understanding of GAAP financial reporting. The District will implement changes as deemed necessary.

Conclusion - Response accepted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - Expenditures for the year ended June 30, 2008 did not exceed the amount budgeted in any of the functional areas.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-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.
- II-D-08 Business Transactions - We noted no business transactions between the District and District officials or employees that would appear to constitute a conflict of interest.
- II-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.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 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.
- II-I-08 Certified Annual Report - The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.