

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District, Correctionville, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District at June 30, 2009, 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 January 29, 2010, on our consideration of River Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 11 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise River Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008, (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

January 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

River-Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,117,565 in fiscal 2008 to \$4,045,537 in fiscal 2009, while General Fund expenditures decreased from \$4,175,881 in fiscal 2008 to \$4,170,946 in fiscal 2009. The District's General Fund balance decreased from \$1,083,417 in fiscal 2008 to \$962,579 in fiscal 2009.
- The decrease in General Fund revenues was attributable to decreases in state aid payments, teacher mentoring program, elimination of Market Factor Pay and reduction in interest due to low interest rate paid for investments. The decrease in expenditures was found primarily in operation and maintenance of facilities and fewer transportation costs. The primary reason the General Fund balance decrease is simply less revenues received than expenditures paid out for fiscal year 2009.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Fund, the School Nutrition Fund and The Preschool Fund.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,435,762	4,309,256	33,160	8,653	4,468,922	4,317,909	3%
Capital assets	6,314,990	6,130,144	36,642	45,767	6,351,632	6,175,911	3%
Total assets	10,750,752	10,439,400	69,802	54,420	10,820,554	10,493,820	3%
Long-term liabilities	3,540,235	3,859,341	-	-	3,540,235	3,859,341	-8%
Other liabilities	2,596,794	2,324,824	8,293	1,171	2,605,087	2,325,995	12%
Total liabilities	6,137,029	6,184,165	8,293	1,171	6,145,322	6,185,336	-1%
Net Assets:							
Invested in capital assets, net of related debt	2,804,990	2,300,144	36,642	45,767	2,841,632	2,345,911	21%
Restricted	686,932	677,494	-	-	686,932	677,494	1%
Unrestricted	1,121,801	1,277,597	24,867	7,482	1,146,668	1,285,079	-11%
TOTAL NET ASSETS	4,613,723	4,255,235	61,509	53,249	4,675,232	4,308,484	9%

The District’s combined total net assets increased by nearly 9%, or approximately \$366,748, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased approximately \$9,438 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 \$138,411, or 11%. This reduction in unrestricted net assets was a result of the District receiving less revenue than expenditures paid out for the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	321,420	354,146	172,940	130,978	494,360	485,124	3%
Operating grants & contributions	713,071	793,649	118,438	129,097	831,509	922,746	10%
Capital grants & contributions	-	12,600	-	-	-	12,600	-100%
General Revenues:							
Property taxes	1,858,902	1,753,793			1,858,902	1,753,793	6%
Income Surtax	244,549	210,200			244,549	210,200	16%
Local option sales tax	326,199	319,144			326,199	319,144	2%
Unrestricted state grants	1,632,069	1,748,910			1,632,069	1,748,910	-7%
Unrestricted investment earnings	23,084	72,287	71	139	23,155	72,426	-68%
Other revenue	26,438	43,816			26,438	43,816	-40%
Total Revenues	5,145,732	5,308,545	291,449	260,214	5,437,181	5,568,759	-2%
Expenses:							
Instruction	2,886,023	2,881,688			2,886,023	2,881,688	0%
Support services	1,409,005	1,415,535			1,409,005	1,415,535	0%
Non-instructional programs	-	-	283,189	288,111	283,189	288,111	-2%
Other expenditures	492,216	677,942			492,216	677,942	-27%
Total expenses	4,787,244	4,975,165	283,189	288,111	5,070,433	5,263,276	-4%
CHANGE IN NET ASSETS	358,488	333,380	8,260	(27,897)	366,748	305,483	20%
Net assets beginning of year	4,255,235	3,921,855	53,249	81,146	4,308,484	4,003,484	8%
Net assets end of year	4,613,723	4,255,235	61,509	53,249	4,675,232	4,308,484	9%

In fiscal year 2009 property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 2% decrease in revenues and a 4% decrease in expenses. Property tax increased \$105,109. The decrease in expenses related to less expenditures primarily in the other expenditure area.

Governmental Activities

Revenues for governmental activities were \$5,145,732 and expenses were \$4,787,244. In a difficult budget year, the District was able to balance the budget by trimming expenses to aid in the fact that the District received less revenues than the prior year.

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 Cost of Services			Net Cost of Services		
	2009 \$	2008 \$	Change 2008-2009	2009 \$	2008 \$	Change 2008-2009
Instruction	2,886,023	2,881,688	0%	2,013,653	2,043,152	-1%
Support Services	1,409,005	1,415,535	0%	1,408,451	1,410,283	0%
Other Expenses	492,216	677,942	-27%	330,649	361,335	-8%
TOTAL	4,787,244	4,975,165	-4%	3,752,753	3,814,770	-2%

For the year ended June 30, 2009

- The cost financed by users of the District’s programs was \$321,420
- Federal and state governments subsidized certain programs with grants and contributions totaling \$713,071.
- The net cost of governmental activities was financed with \$2,429,650 in property/income and local option sales tax and \$1,632,069 in unrestricted state grants.
- **Business Type Activities**

Revenues for business type activities were \$291,449 and expenses were \$283,189. The District’s business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,655,942, below last year’s ending fund balances of \$1,816,628. The primary reason for the decrease in combined fund balances in fiscal 2009 is due to revenues not received by the District from previous year in the amount of \$133,710. The decrease in revenues was seen in tuition from other Districts, interest received on investments and state and federal sources.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,083,417 to \$962,579. The reduction in fund balance is due entirely to loss of revenues in the general fund in the amount of \$72,028. The loss of revenues was seen in less tuition received from other schools in the form of open enrollment and special education; substantial loss in interest received from investments and reduction of state sources due to the following factors; market factor funds being eliminated by the state, state foundation aid/instructional support state aid payments smaller and less participation in mentoring program so less revenue received. Expenditures were held to a minimum with savings seen in the areas of support services, primarily student and transportation services. With the reduction in overall expenses this helped offset the loss of revenue with less effect.

- The Physical Plant and Equipment Levy (PEEL) Fund balance showed a minimal increase in fund balance of \$5,322.
- The Capital Projects Fund balance showed a decrease of \$56,662. This decrease is attributed to facilities acquisition due to the start of our construction project with funds being used to pay architect and construction fees at the start of the project. Fiscal 2009 ended with a balance of \$333,021.

- **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$53,249 at June 30, 2008 to \$61,509 at June 30, 2009, representing an increase of approximately 2%. For fiscal 2009, the District increased meal prices, resulting in the increase in net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$198,669 less than budgeted receipts.. The most significant variance resulted from the District receiving less in state and local sources.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures category due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$6.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$256,329.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$392,026 at June 30, 2009 with no construction in progress reported at June 30, 2007. This significant increase resulted from construction activity financed by the Local Option Sales and Service Tax. The District has committed approximately \$561,000 to complete the construction project.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2008-2009
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	19,689	19,689	-	-	19,689	19,689	0%
Construction in progress	392,026	-	-	-	392,026	-	0%
Buildings	5,244,380	5,358,737	-	-	5,244,380	5,358,737	-2%
Improvements	337,861	364,064	-	-	337,861	364,064	-7%
Equipment & furniture	321,034	387,654	36,642	45,767	357,676	433,421	-17%
TOTAL	6,314,990	6,130,144	36,642	45,767	6,351,632	6,175,911	3%

Long-Term Debt

At June 30, 2009 the District had \$3,540,235 in general obligation and other long-term debt outstanding. This represents an increase of approximately 8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District had total outstanding bonded indebtedness at June 30, 2009 of \$3,510,000.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2008-2009
	2009	2008	
	\$	\$	
General obligation bonds	3,510,000	3,830,000	8%
Early retirement	24,608	24,530	1%
Compensated absences	5,627	4,811	2%
	<u>3,540,235</u>	<u>3,859,341</u>	<u>8%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2008 enrollment increased by 9.9 students. This increase in enrollment allowed the District to apply for modified allowable growth in the amount of \$58,328. The District received the authority to increase their budget by this amount but there was no funding dollars received. This increased our spending authority but not our cash. The District will receive the funding for these students in the 2010 fiscal year.
- Open enrollment trends show an increase in open enrollment out and decrease in open enrollment in. This will affect the District thru the accountability of miscellaneous income which is one factor used to establish our total spending authority.

- The District experienced a substantial decrease in special education enrollment. There were two ways in which this affected the District: 1.) Our number of students qualifying and participating in our special education program decreased by 8 students compared to our 2008 count. The loss of 8 students resulted in a loss of funding to the District in the amount of \$96,326. 2.) A neighboring district implemented a Special Education Preschool program within their own facility thus the District lost tuition dollars due to the fact that their students previously attended our Special Education Preschool program and were billed for services provided. Without the revenue from the tuition billed to the neighboring district, our District lost miscellaneous income in the amount of \$59,833. These two factors proved to have a major impact on our budget authority for 2009 fiscal year.
- The economy and inability to acquire a decent interest rate for investments has proved to be very costly to the District. In comparison with 2008 fiscal year, and investments remaining constant, the District lost \$33,689 in interest earned. The loss of interest revenue also had a major impact on our budget authority for 2009 fiscal year.
- The District is proceeding with construction on one remodeling project and two additions to the Junior/Senior High School. The projects are being funded through our Local Option Sales Tax dollars.
- Through the loss of revenues for fiscal year 2009 the District embarked on a very conscientious effort to keep expenditures within budget constraints and decreasing expenditures from fiscal year 2008 by \$5,000.
- Fiscal 2009 was the last of a two-year contract with the River Valley Community Schools Education Teachers Association (RVEA). The final year had an adverse effect on the District's General Fund budget and related fund balances with a settlement of 4.51% for certified staff and 4.22% for support staff.
- Fiscal 2010 will see the District faced with creative ways to continue providing the students of our District with a premier education. Many areas will be evaluated with the District needing to reduce staff, look at sharing options with neighboring districts to fill staffing needs and continuing efforts to keep expenditures within budget limits with assistance of the line-item budget procedure.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cynthia Dittmer, District Business Manager, River-Valley Community School District, 918 Hackberry Street, Correctionville, IA 51016

BASIC FINANCIAL STATEMENTS

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,123,178	38,900	2,162,078
Receivables:			
Property tax:			
Delinquent	27,076	-	27,076
Succeeding year	1,934,123	-	1,934,123
Accounts	914	149	1,063
Interfund balances	8,100	(8,100)	-
Accrued interest	60	-	60
Prepaid expenses	4,533	-	4,533
Due from other governments	288,211	-	288,211
Inventories	-	2,211	2,211
Unamortized bond issue costs	49,567	-	49,567
Capital assets, net of accumulated depreciation	6,314,990	36,642	6,351,632
Total assets	10,750,752	69,802	10,820,554
Liabilities			
Accounts payable	199,716	-	199,716
Salaries and benefits payable	343,378	6,469	349,847
Accrued interest payable	11,700	-	11,700
Deferred revenue:			
Succeeding year property tax	1,934,123	-	1,934,123
Other	60,532	1,824	62,356
Unamortized bond premium	47,345	-	47,345
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	330,000	-	330,000
Termination benefits	23,629	-	23,629
Compensated absences	5,627	-	5,627
Portion due after one year:			
General obligation bonds payable	3,180,000	-	3,180,000
Termination benefits	979	-	979
Total liabilities	6,137,029	8,293	6,145,322
Net assets			
Invested in capital assets, net of related debt	2,804,990	36,642	2,841,632
Restricted for:			
Categorical funding	29,877	-	29,877
Management levy	223,554	-	223,554
Physical plant and equipment levy	38,813	-	38,813
Other special revenue purposes	59,246	-	59,246
Sales tax capital projects	333,021	-	333,021
Debt service	2,421	-	2,421
Unrestricted	1,121,801	24,867	1,146,668
Total net assets	4,613,723	61,509	4,675,232

See notes to financial statements.

RIVER VALLY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,046,804	147,294	443,057	-
Special	421,213	48,123	23,638	-
Other	418,006	125,652	84,606	-
	<u>2,886,023</u>	<u>321,069</u>	<u>551,301</u>	<u>-</u>
Support services:				
Student	98,241	-	-	-
Instructional staff	159,094	-	-	-
Administration	502,911	-	-	-
Operation and maintenance of plant	408,308	351	-	-
Transportation	240,451	-	203	-
	<u>1,409,005</u>	<u>351</u>	<u>203</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	24,562	-	-	-
Long-term debt interest	144,938	-	249	-
AEA flowthrough	161,318	-	161,318	-
Depreciation (unallocated)*	161,398	-	-	-
	<u>492,216</u>	<u>-</u>	<u>161,567</u>	<u>-</u>
Total governmental activities	<u>4,787,244</u>	<u>321,420</u>	<u>713,071</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	234,449	111,679	118,438	-
Preschool	48,740	61,261	-	-
Total business-type activities	<u>283,189</u>	<u>172,940</u>	<u>118,438</u>	<u>-</u>
Total	<u>5,070,433</u>	<u>494,360</u>	<u>831,509</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,456,453)	-	(1,456,453)
(349,452)	-	(349,452)
(207,748)	-	(207,748)
<u>(2,013,653)</u>	<u>-</u>	<u>(2,013,653)</u>
(98,241)	-	(98,241)
(159,094)	-	(159,094)
(502,911)	-	(502,911)
(407,957)	-	(407,957)
(240,248)	-	(240,248)
<u>(1,408,451)</u>	<u>-</u>	<u>(1,408,451)</u>
(24,562)	-	(24,562)
(144,689)	-	(144,689)
-	-	-
<u>(161,398)</u>	<u>-</u>	<u>(161,398)</u>
<u>(330,649)</u>	<u>-</u>	<u>(330,649)</u>
<u>(3,752,753)</u>	<u>-</u>	<u>(3,752,753)</u>
-	(4,332)	(4,332)
-	12,521	12,521
-	8,189	8,189
<u>(3,752,753)</u>	<u>8,189</u>	<u>(3,744,564)</u>
1,351,641	-	1,351,641
461,681	-	461,681
45,580	-	45,580
244,549	-	244,549
326,199	-	326,199
1,632,069	-	1,632,069
23,084	71	23,155
26,438	-	26,438
<u>4,111,241</u>	<u>71</u>	<u>4,111,312</u>
358,488	8,260	366,748
<u>4,255,235</u>	<u>53,249</u>	<u>4,308,484</u>
<u>4,613,723</u>	<u>61,509</u>	<u>4,675,232</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,318,839	7,407	452,890	344,042	2,123,178
Receivables:					
Property tax:					
Delinquent	18,243	6,714	-	2,119	27,076
Succeeding year	1,298,700	470,900	-	164,523	1,934,123
Accounts	914	-	-	-	914
Accrued interest	-	-	-	60	60
Prepaid expenses	4,533	-	-	-	4,533
Interfund receivable	8,100	-	12,600	6,994	27,694
Due from other governments	236,963	-	51,248	-	288,211
	<u>2,886,292</u>	<u>485,021</u>	<u>516,738</u>	<u>517,738</u>	<u>4,405,789</u>
Total assets					
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	15,999	-	183,717	-	199,716
Salaries and benefits payable	343,378	-	-	-	343,378
Interfund payable	12,600	-	-	6,994	19,594
Deferred revenue:					
Succeeding year property tax	1,298,700	470,900	-	164,523	1,934,123
Income surtax	192,504	-	-	-	192,504
Other	60,532	-	-	-	60,532
Total liabilities	<u>1,923,713</u>	<u>470,900</u>	<u>183,717</u>	<u>171,517</u>	<u>2,749,847</u>
Fund balances:					
Reserved for:					
Categorical funding	29,877	-	-	-	29,877
Debt service	-	14,121	-	-	14,121
Unreserved reported in:					
General fund	932,702	-	-	-	932,702
Special revenue funds	-	-	-	346,221	346,221
Capital projects funds	-	-	333,021	-	333,021
Total fund balances	<u>962,579</u>	<u>14,121</u>	<u>333,021</u>	<u>346,221</u>	<u>1,655,942</u>
	<u>2,886,292</u>	<u>485,021</u>	<u>516,738</u>	<u>517,738</u>	<u>4,405,789</u>
Total liabilities and fund balances					

See notes to financial statements.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	1,655,942
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,314,990
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	242,071
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(11,700)
Long-term liabilities, including bonds payable, bond premium, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,587,580)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,613,723</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,484,194	461,681	326,199	145,509	2,417,583
Tuition	177,722	-	-	-	177,722
Other	39,214	249	4,678	135,358	179,499
State sources	2,183,919	368	-	116	2,184,403
Federal sources	160,488	-	-	-	160,488
Total revenues	<u>4,045,537</u>	<u>462,298</u>	<u>330,877</u>	<u>280,983</u>	<u>5,119,695</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,996,027	-	-	41,189	2,037,216
Special	421,213	-	-	-	421,213
Other	299,810	-	-	118,196	418,006
	<u>2,717,050</u>	<u>-</u>	<u>-</u>	<u>159,385</u>	<u>2,876,435</u>
Support services:					
Student	98,241	-	-	-	98,241
Instructional staff	153,551	-	-	-	153,551
Administration	494,816	-	-	596	495,412
Operation and maintenance of plant	364,433	-	-	42,457	406,890
Transportation	181,537	-	-	9,941	191,478
	<u>1,292,578</u>	<u>-</u>	<u>-</u>	<u>52,994</u>	<u>1,345,572</u>
Other expenditures:					
Facilities acquisition	-	-	387,539	49,887	437,426
Long-term debt:					
Principal	-	320,000	-	-	320,000
Interest and fiscal charges	-	153,600	-	-	153,600
AEA flowthrough	161,318	-	-	-	161,318
	<u>161,318</u>	<u>473,600</u>	<u>387,539</u>	<u>49,887</u>	<u>1,072,344</u>
Total expenditures	<u>4,170,946</u>	<u>473,600</u>	<u>387,539</u>	<u>262,266</u>	<u>5,294,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(125,409)</u>	<u>(11,302)</u>	<u>(56,662)</u>	<u>18,717</u>	<u>(174,656)</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	2,851	-	-	9,399	12,250
Sales of equipment and real property	1,720	-	-	-	1,720
Total other financing sources (uses)	<u>4,571</u>	<u>-</u>	<u>-</u>	<u>9,399</u>	<u>13,970</u>
Net change in fund balances	(120,838)	(11,302)	(56,662)	28,116	(160,686)
Fund balances beginning of year	<u>1,083,417</u>	<u>25,423</u>	<u>389,683</u>	<u>318,105</u>	<u>1,816,628</u>
Fund balances end of year	<u><u>962,579</u></u>	<u><u>14,121</u></u>	<u><u>333,021</u></u>	<u><u>346,221</u></u>	<u><u>1,655,942</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(160,686)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of 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	428,374	
Depreciation expense	<u>(243,528)</u>	184,846

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.		12,067
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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.		320,000
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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.		3,401
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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	(78)	
Compensated absences	(816)	
Amortized bond premium	5,261	
Bond issue costs amortized	<u>(5,507)</u>	<u>(1,140)</u>

Changes in net assets of governmental activities (Exhibit B)		<u><u>358,488</u></u>
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RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	38,900
Accounts receivable	149
Inventories	2,211
Capital assets, net of accumulated depreciation	<u>36,642</u>
Total assets	<u>77,902</u>
Liabilities	
Interfund payable	8,100
Salaries and benefits payable	6,469
Deferred revenue	<u>1,824</u>
Total liabilities	<u>16,393</u>
Net assets	
Invested in capital assets	36,642
Unrestricted	<u>24,867</u>
Total net assets	<u><u>61,509</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>172,940</u>
Operating expenses:	
Salaries	117,922
Benefits	18,394
Purchased services	3,964
Supplies	129,317
Depreciation	12,801
Other	791
Total operating expenses	<u>283,189</u>
Operating gain (loss)	<u>(110,249)</u>
Non-operating revenues:	
State sources	3,048
Federal sources	115,390
Interest income	71
Total non-operating revenues	<u>118,509</u>
Change in net assets	8,260
Net assets beginning of year	<u>53,249</u>
Net assets end of year	<u><u>61,509</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	112,281
Cash received from daycare and after school services	61,261
Cash payments to employees for services	(129,847)
Cash payments to suppliers for goods or services	(123,377)
Net cash used by operating activities	<u>(79,682)</u>
Cash flows from non-capital financing activities:	
State grants received	3,048
Federal grants received	103,964
Net cash provided by non-capital financing activities	<u>107,012</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(3,676)</u>
Cash flows from investing activities:	
Interest on investments	<u>71</u>
Net increase (decrease) in cash and cash equivalents	23,725
Cash and cash equivalents at beginning of year	<u>15,175</u>
Cash and cash equivalents at end of year	<u><u>38,900</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(110,249)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	11,479
Depreciation	12,801
Decrease (increase) in inventories	(784)
Decrease (increase) in accounts receivable	(66)
(Decrease) increase in salaries and benefits payable	6,469
(Decrease) increase in deferred revenue	668
Net cash used by operating activities	<u><u>(79,682)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$11,479 of federal commodities.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	163,985
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>163,985</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	300
Interest	5,147
Total additions	<u>5,447</u>
Deductions:	
Support services:	
Scholarships awarded	<u>7,300</u>
Change in net assets	(1,853)
Net assets beginning of year	<u>165,838</u>
Net assets end of year	<u><u>163,985</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

River Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Correctionville, Washta, Cushing and Quimby, Iowa and the predominately agricultural territory in a portion of Woodbury, Cherokee and Ida Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 instructional, support and other costs.

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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, 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 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.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	<u>\$</u>
Diversified Portfolio	1,902,783

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

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Capital Projects Fund	General Fund	12,600
Nonmajor Governmental: Physical Plant and Equipment Levy Fund	Nonmajor Governmental: Management Fund	6,994
General Fund	Nonmajor Enterprise: School Nutrition Fund	8,100

The interfund receivables/payables represent loans for cash flow and reclassification of revenues.

4. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	392,026	-	392,026
Land	19,689	-	-	19,689
Total capital assets not being depr.	<u>19,689</u>	<u>392,026</u>	<u>-</u>	<u>411,715</u>
Capital assets being depreciated:				
Buildings	6,616,531	20,838	-	6,637,369
Improvements other than buildings	524,056	-	-	524,056
Furniture and equipment	1,135,857	15,510	20,300	1,131,067
Total capital assets being deprec.	<u>8,276,444</u>	<u>36,348</u>	<u>20,300</u>	<u>8,292,492</u>

Less accumulated depreciation for:				
Buildings	1,257,794	135,195	-	1,392,989
Improvements other than buildings	159,992	26,203	-	186,195
Furniture and equipment	748,203	82,130	20,300	810,033
Total accumulated depreciation	<u>2,165,989</u>	<u>243,528</u>	<u>20,300</u>	<u>2,389,217</u>
Total capital assets being depreciated, net	<u>6,110,455</u>	<u>(207,180)</u>	<u>-</u>	<u>5,903,275</u>
Governmental activities capital assets, net	<u>6,130,144</u>	<u>184,846</u>	<u>-</u>	<u>6,314,990</u>

	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	195,234	3,676	-	198,910
Less accumulated depreciation	149,467	12,801	-	162,268
Business type activities capital assets, net	<u>45,767</u>	<u>(9,125)</u>	<u>-</u>	<u>36,642</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	9,510
Support services:	
Instructional staff	21,053
Administration	1,176
Operation and maintenance of plant services	1,418
Transportation	<u>48,973</u>
	82,130
Unallocated depreciation	<u>161,398</u>
Total depreciation expense – governmental activities	<u>243,528</u>
Business type activities:	
Food service	<u>12,801</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance			Balance End	Due Within
	Beginning of			of Year	One Year
	Year	Additions	Reductions		
	\$	\$	\$	\$	\$
General obligation bonds	3,830,000	-	320,000	3,510,000	330,000
Termination benefits	24,530	19,714	19,636	24,608	23,629
Compensated absences	4,811	5,627	4,811	5,627	5,627
Total	<u>3,859,341</u>	<u>25,341</u>	<u>344,447</u>	<u>3,540,235</u>	<u>359,256</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to a percentage of base salary. Early retirement benefits will be paid in two installments; the first in July and the second in January following retirement.

At June 30, 2009, the District has obligations to three participants with a total liability of \$24,608. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$19,636.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

2005 Crossover Refunding Bond Issue				
<u>Year Ended</u> <u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		\$	\$	\$
2010	4.0	330,000	140,400	470,400
2011	4.0	345,000	127,200	472,200
2012	4.0	355,000	113,400	468,400
2013	4.0	375,000	99,200	474,200
2014	4.0	385,000	84,200	469,200
2015-2018	4.0	<u>1,720,000</u>	<u>175,600</u>	<u>1,895,600</u>
Total		<u>3,510,000</u>	<u>740,000</u>	<u>4,250,000</u>

6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$163,664, \$157,547 and \$143,407 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$161,318 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Construction Commitment

The District has entered into a \$892,000 contract for a school addition and remodeling. As of June 30, 2009 costs of \$331,462 had been incurred against the contract. The balance remaining at June 30, 2009 will be paid as work on the project progresses.

10. Lease Commitment

The District entered into a five year contract to lease a copy machine in fiscal year 2009. The payments the District will make over the next five years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
	\$
2010	20,352
2011	20,352
2012	20,352
2013	20,352
2014	1,696

REQUIRED SUPPLEMENTARY INFORMATION

RIVER VALLEY 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, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,774,804	173,011	2,947,815	3,122,063	3,122,063	(174,248)
State sources	2,184,403	3,048	2,187,451	2,282,750	2,282,750	(95,299)
Federal sources	160,488	115,390	275,878	205,000	205,000	70,878
Total revenues	<u>5,119,695</u>	<u>291,449</u>	<u>5,411,144</u>	<u>5,609,813</u>	<u>5,609,813</u>	<u>(198,669)</u>
Expenditures/Expenses:						
Instruction	2,876,435	48,741	2,925,176	2,986,065	2,986,065	60,889
Support services	1,345,572	-	1,345,572	1,622,500	1,622,500	276,928
Non-instructional programs	-	234,448	234,448	277,000	277,000	42,552
Other expenditures	1,072,344	-	1,072,344	701,061	701,061	(371,283)
Total expenditures/expenses	<u>5,294,351</u>	<u>283,189</u>	<u>5,577,540</u>	<u>5,586,626</u>	<u>5,586,626</u>	<u>9,086</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(174,656)	8,260	(166,396)	23,187	23,187	(189,583)
Other financing sources (uses) net	<u>13,970</u>	<u>-</u>	<u>13,970</u>	<u>1,000</u>	<u>1,000</u>	<u>12,970</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(160,686)	8,260	(152,426)	24,187	24,187	(176,613)
Balance beginning of year	<u>1,816,628</u>	<u>53,249</u>	<u>1,869,877</u>	<u>5,892,990</u>	<u>5,892,990</u>	<u>(4,023,113)</u>
Balance end of year	<u><u>1,655,942</u></u>	<u><u>61,509</u></u>	<u><u>1,717,451</u></u>	<u><u>5,917,177</u></u>	<u><u>5,917,177</u></u>	<u><u>(4,199,726)</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the budget.

During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	253,700	59,186	31,156	344,042
Receivables:				
Property tax:				
Delinquent	1,456	-	663	2,119
Succeeding year	115,000	-	49,523	164,523
Accrued interest	-	60	-	60
Interfund receivable	-	-	6,994	6,994
Total assets	370,156	59,246	88,336	517,738
Liabilities & Fund Balances				
Liabilities:				
Interfund payables	6,994	-	-	6,994
Deferred revenue:				
Succeeding year property tax	115,000	-	49,523	164,523
Total liabilities	121,994	-	49,523	171,517
Fund balances:				
Unreserved reported in:				
Special revenue funds	248,162	59,246	38,813	346,221
Total liabilities and fund balances	370,156	59,246	88,336	517,738

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Equipment		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	99,929	-	45,580	145,509
Other	11,221	123,943	194	135,358
State sources	80	-	36	116
Total revenues	<u>111,230</u>	<u>123,943</u>	<u>45,810</u>	<u>280,983</u>
Expenditures:				
Current:				
Instruction:				
Regular	41,189	-	-	41,189
Other	-	118,196	-	118,196
Support services:				
Administration	596	-	-	596
Operation and maintenance of plant	42,457	-	-	42,457
Transportation	9,941	-	-	9,941
Other expenditures:				
Facilities acquisition	-	-	49,887	49,887
Total expenditures	<u>94,183</u>	<u>118,196</u>	<u>49,887</u>	<u>262,266</u>
Excess (deficiency) of revenues over (under) expenditures	17,047	5,747	(4,077)	18,717
Other financing sources (uses):				
Compensation for loss of fixed assets	-	-	9,399	9,399
Net change in fund balances	17,047	5,747	5,322	28,116
Fund balances beginning of year	<u>231,115</u>	<u>53,499</u>	<u>33,491</u>	<u>318,105</u>
Fund balances end of year	<u>248,162</u>	<u>59,246</u>	<u>38,813</u>	<u>346,221</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2009

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	4,720	34,180	38,900
Accounts receivable	149	-	149
Inventories	2,211	-	2,211
Capital assets, net of accumulated depreciation	36,642	-	36,642
Total assets	43,722	34,180	77,902
Liabilities			
Interfund payable	8,100	-	8,100
Salaries and benefits payable	-	6,469	6,469
Deferred revenue	1,824	-	1,824
Total liabilities	9,924	6,469	16,393
Net assets			
Invested in capital assets	36,642	-	36,642
Unrestricted	(2,844)	27,711	24,867
Total net assets	33,798	27,711	61,509

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	111,679	61,261	172,940
Operating expenses:			
Salaries	83,220	34,702	117,922
Benefits	4,948	13,446	18,394
Purchased services	3,964	-	3,964
Supplies	128,725	592	129,317
Depreciation	12,801	-	12,801
Other	791	-	791
Total operating expenses	234,449	48,740	283,189
Operating gain (loss)	(122,770)	12,521	(110,249)
Non-operating revenues:			
State sources	3,048	-	3,048
Federal sources	115,390	-	115,390
Interest income	71	-	71
Total non-operating revenues	118,509	-	118,509
Change in net assets	(4,261)	12,521	8,260
Net assets beginning of year	38,059	15,190	53,249
Net assets end of year	33,798	27,711	61,509

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	112,281	-	112,281
Cash received from daycare and after school services	-	61,261	61,261
Cash payments to employees for services	(88,168)	(41,679)	(129,847)
Cash payments to suppliers for goods or services	(122,785)	(592)	(123,377)
Net cash provided by (used by) operating activities	<u>(98,672)</u>	<u>18,990</u>	<u>(79,682)</u>
Cash flows from non-capital financing activities:			
State grants received	3,048	-	3,048
Federal grants received	103,964	-	103,964
Net cash provided by non-capital financing activities	<u>107,012</u>	<u>-</u>	<u>107,012</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(3,676)</u>	<u>-</u>	<u>(3,676)</u>
Cash flows from investing activities:			
Interest on investments	<u>71</u>	<u>-</u>	<u>71</u>
Net increase (decrease) in cash and cash equivalents	4,735	18,990	23,725
Cash and cash equivalents at beginning of year	<u>(15)</u>	<u>15,190</u>	<u>15,175</u>
Cash and cash equivalents at end of year	<u><u>4,720</u></u>	<u><u>34,180</u></u>	<u><u>38,900</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(122,770)	12,521	(110,249)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	11,479	-	11,479
Depreciation	12,801	-	12,801
Decrease (increase) in inventories	(784)	-	(784)
Decrease (increase) in accounts receivable	(66)	-	(66)
(Decrease) increase in salaries and benefits payable	-	6,469	6,469
(Decrease) increase in deferred revenue	668	-	668
Net cash provided by (used by) operating activities	<u><u>(98,672)</u></u>	<u><u>18,990</u></u>	<u><u>(79,682)</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Interest	1,812	637	13,344	11,917	1,022
Cheerleaders	395	405	275	-	525
MS the loft	142	-	-	-	142
MS renaissance	737	-	-	-	737
MS student council	4,024	5,743	3,575	(1,848)	4,344
MS athletic fundraiser	529	-	2,371	1,842	-
Yearbook	(609)	10,352	11,792	2,049	-
HS play	1,916	1,050	1,565	-	1,401
HS athletics	3,833	40,384	28,762	12	15,467
District football	-	625	318	125	432
Speech and drama club	(105)	4,771	2,181	104	2,589
Chess club	100	-	-	-	100
Drill team	596	2,533	2,497	329	961
Wolverine's den	258	-	-	-	258
HS renaissance	1,088	2,019	2,082	(447)	578
FFA	12	172	40	-	144
FCLLA	1,261	312	336	-	1,237
Art club	179	982	677	-	484
Spanish club	1,745	1,119	1,615	(25)	1,224
Quiz bowl club	95	-	-	-	95
Industrial arts club	176	-	-	-	176
Physics club	276	1,567	1,841	-	2
Scholarship banquet fund	590	10	136	-	464
Class of 2008	2,470	-	37	-	2,433
Class of 2007	1,553	-	-	(1,440)	113
Class of 2005	520	-	-	(520)	-
Class of 2009	2,399	-	801	-	1,598
Class of 2010	407	4,659	4,728	-	338
Class of 2011	148	2,733	37	-	2,844
National honor society	164	1,284	1,016	-	432
Elementary student council	13,394	22,653	24,004	(173)	11,870
Activity library bookfair	8,171	6,199	31	(11,980)	2,359
HS student council	1,548	3,375	3,745	-	1,178
HS concessions	3,675	10,359	10,390	55	3,699
Total	53,499	123,943	118,196	-	59,246

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,417,583	2,265,958	2,278,570	2,227,034	2,230,236	2,387,053
Tuition	177,722	223,539	301,341	246,451	238,173	244,964
Other	179,499	354,908	427,305	278,939	206,636	174,671
State sources	2,184,403	2,232,509	2,192,651	2,132,425	2,001,669	1,802,142
Federal sources	160,488	176,490	196,345	302,767	259,519	276,718
Total revenues	<u>5,119,695</u>	<u>5,253,404</u>	<u>5,396,212</u>	<u>5,187,616</u>	<u>4,936,233</u>	<u>4,885,548</u>
Expenditures:						
Instruction:						
Regular instruction	2,037,216	1,944,412	1,920,175	1,769,689	1,846,735	1,754,209
Special instruction	421,213	510,303	446,991	427,012	490,293	531,211
Other instruction	418,006	408,715	369,982	403,151	200,160	217,482
Support services:						
Student services	98,241	102,426	96,769	97,475	97,235	100,084
Instructional staff services	153,551	124,290	140,435	116,141	122,843	98,800
Administration services	495,412	466,908	484,887	485,354	605,385	536,916
Operation and maintenance	406,890	405,727	391,297	384,718	335,493	380,176
Transportation services	191,478	248,339	306,551	261,357	365,048	168,773
Non-instructional programs	-	-	-	4,082	-	255
Other expenditures:						
Facilities acquisition	437,426	351,988	119,938	128,434	220,647	316,607
Long-term debt:						
Principal	320,000	4,100,000	275,000	265,000	255,000	259,307
Interest and other charges	153,600	349,060	361,648	363,776	232,898	245,553
AEA flowthrough	161,318	157,847	155,881	149,751	147,634	150,193
Total expenditures	<u>5,294,351</u>	<u>9,170,015</u>	<u>5,069,554</u>	<u>4,855,940</u>	<u>4,919,371</u>	<u>4,759,566</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
River Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of River Valley Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 29, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-I-A and 09-I-B are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of River Valley Community School District and other parties to whom River Valley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

January 29, 2010

River Valley Community School District

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-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.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

River Valley Community School District

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amounts budgeted in the other expenditures functions.

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

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

Conclusion: Response accepted.

09-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.

09-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.

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

09-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.

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

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

09-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.

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

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

River Valley Community School District

Schedule of Findings and Responses

Year ended June 30, 2009

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

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ -
Statewide sales and services tax revenue	326,199
Expenditures/transfers out:	
School infrastructure:	
Buildings and building improvements	<u>326,199</u>
Ending balance	<u>-</u>

09-II-L Old outstanding checks: We noted that the District's bank reconciliations included approximately \$4,100 of 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.

River Valley Community School District

Schedule of Findings and Responses

Year ended June 30, 2009

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

09-II-M Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. Per a review of Student Activity Fund disbursements, we noted payments for field trips, flash drives, PE shoes, and elementary classroom supplies. These types of payments are not part of the District's extracurricular or co-curricular student activities and should have been recorded in the General Fund.

Recommendation: The District should review the types of items that are being accounted for in the Student Activity Fund.

District Response: We will review the transactions in the Student Activity Fund accounts and make any necessary fund reclassifications.

Conclusion: Response accepted.