

RICEVILLE 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  
Riceville 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 Riceville Community School District, Riceville, 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 Riceville Community School District as of 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 reports dated April 29, 2010, on our consideration of Riceville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riceville Community School District's basic financial statements. The financial statements for the five years ended June 30, 2008, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

April 29, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Riceville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$3,986,791 in fiscal 2008 to \$3,818,341 in fiscal 2009, while General Fund expenditures increased from \$3,637,781 in fiscal 2008 to \$3,751,799 in fiscal 2009. The District's General Fund balance increased from \$649,723 in fiscal 2008 to \$717,025 in fiscal 2009, a 10% increase.
- The decrease in General Fund revenues was attributable to a decrease in property tax revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in negotiated salary and benefits.
- A decrease in interest rates during the past fiscal year resulted in interest earnings in the General Fund decreasing from \$66,692 in fiscal 2008 to \$29,544.95 in fiscal 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 the Riceville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Riceville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

**Figure A-1**  
**Riceville Community School District Annual Financial Report**

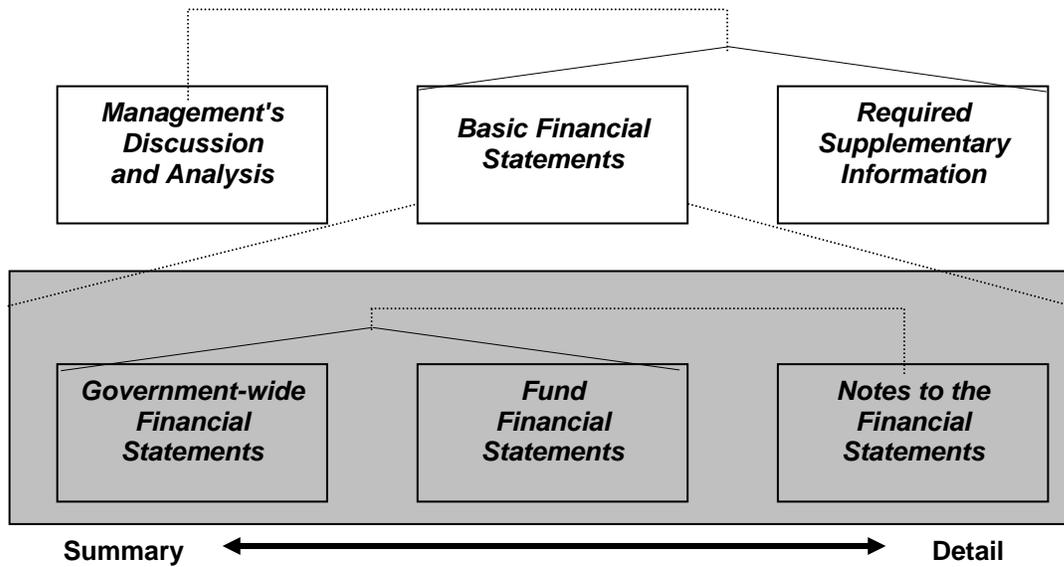


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 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		
	2008	2009	2008	2009	2008	2009	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,433,646	3,898,204	34,889	42,263	4,468,535	3,940,467	-12%
Capital assets	1,301,281	1,188,638	21,199	18,612	1,322,480	1,207,250	-9%
<b>Total assets</b>	<b>5,734,927</b>	<b>5,086,842</b>	<b>56,088</b>	<b>60,875</b>	<b>5,791,015</b>	<b>5,147,717</b>	<b>-11%</b>
Long-term liabilities	189,184	170,951	-	-	189,184	170,951	-10%
Other liabilities	3,043,653	2,114,939	2,442	1,498	3,046,095	2,116,437	-31%
<b>Total liabilities</b>	<b>3,232,837</b>	<b>2,285,890</b>	<b>2,442</b>	<b>1,498</b>	<b>3,235,279</b>	<b>2,287,388</b>	<b>-29%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,301,281	1,029,325	21,199	18,612	1,322,480	1,047,937	-21%
Restricted	305,425	1,013,462	-	-	305,425	1,013,462	232%
Unrestricted	895,384	758,165	32,447	40,765	927,831	798,930	-14%
<b>TOTAL NET ASSETS</b>	<b>2,502,090</b>	<b>2,800,952</b>	<b>53,646</b>	<b>59,377</b>	<b>2,555,736</b>	<b>2,860,329</b>	<b>12%</b>

The District's combined net assets increased by 12%, or approximately \$304,593, over the prior year.

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 \$708,037 or 232% 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 \$128,901, or 14%.

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

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	
Revenues							
Program Revenues:							
Charges for services	331,372	489,581	99,653	106,080	431,025	595,661	38%
Operating grants & contributions	514,750	638,875	68,319	54,486	583,069	693,361	19%
Capital grants & contributions							
General Revenues:							
Property taxes	2,405,018	2,108,722	-	-	2,405,018	2,108,722	-12%
Income Surtax		238,662				238,662	100%
Statewide sales tax	176,923	200,032			176,923	200,032	13%
Unrestricted state grants	864,210	905,903			864,210	905,903	5%
Unrestricted investment earnings	73,399	38,943	128	101	73,527	39,044	-47%
Other revenue	179,450	760			179,450	760	-99%
<b>Total Revenues</b>	<b>4,545,122</b>	<b>4,621,478</b>	<b>168,100</b>	<b>160,667</b>	<b>4,713,222</b>	<b>4,782,145</b>	<b>1%</b>
Expenses:							
Instruction	2,467,303	2,658,580			2,467,303	2,658,580	8%
Support services	1,300,732	1,307,277			1,300,732	1,307,277	1%
Non-instructional programs	8,735	2,067	172,888	154,936	181,623	157,003	-14%
Other expenditures	730,233	373,391			730,233	373,391	-49%
<b>Total expenses</b>	<b>4,507,003</b>	<b>4,341,315</b>	<b>172,888</b>	<b>154,936</b>	<b>4,679,891</b>	<b>4,496,251</b>	<b>-4%</b>
<b>Change in net assets</b>	<b>38,119</b>	<b>280,163</b>	<b>(4,788)</b>	<b>5,731</b>	<b>33,331</b>	<b>285,894</b>	<b>758%</b>

Property taxes and unrestricted state grants are the largest revenue categories, accounting for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$4,621,478 and expenses were \$4,341,315. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

### Total and Net Cost of Governmental Activities

	Total Cost of Services 2008 \$	Total Cost of Services 2009 \$	Net Cost of Services 2008 \$	Net Cost of Services 2009 \$
Instruction	2,467,303	2,658,580	1,751,874	1,665,849
Support Services	1,300,732	1,307,277	1,300,732	1,305,027
Non-instructional Programs	8,735	2,067	8,735	2,067
Other Expenses	730,233	373,391	599,540	239,916
<b>TOTAL</b>	<b>4,507,003</b>	<b>4,341,315</b>	<b>3,660,881</b>	<b>3,212,859</b>

- The cost financed by users of the District's programs was \$489,581;
- Federal and state governments subsidized certain programs with grants and contributions totaling \$638,875.
- The net cost of governmental activities was financed with \$2,547,416 in property and other taxes and \$905,903 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$160,667 and expenses were \$154,936. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

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

### **Governmental Fund Highlights**

The District's improving General Fund financial position is the result of many factors. Fiscal 2009 revenues decreased and district implemented cost cutting and saving measures to insure a balanced budget.

- The General Fund balance increased from \$649,723 to \$717,025. This represents a increase of \$67,302 or 10%, due in part to cost cutting measures that included reduction in staff.
- The Capital Projects Fund balance decreased due to a decrease in property tax revenue. The District ended fiscal 2008 with a balance of 266, 826. Fiscal 2009 ended with a balance of \$221,112.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$53,646 at June 30, 2008 to \$59,377 at June 30, 2009, representing an increase of 11%.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$185,874 less than total budgeted revenues, a variance of less than 4%.

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.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2009, the District had invested approximately \$1,207,250, 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 decrease of 9% from last year. More

detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$196,374.

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

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2008	2009	2008	2009	2008	2009	
	\$	\$	\$	\$	\$	\$	
Land	37,000	37,000	-	-	37,000	37,000	0%
Buildings	929,291	884,154	-	-	929,291	884,154	-5%
Improvements	-	-	-	-	-	-	-
Equipment & Furniture	334,990	267,484	21,199	18,612	356,189	286,096	-20%
<b>TOTAL</b>	<b>1,301,281</b>	<b>1,188,638</b>	<b>21,199</b>	<b>18,612</b>	<b>1,322,480</b>	<b>1,207,250</b>	<b>-9%</b>

**Long-Term Debt**

At June 30, 2009, the District had \$170,951 in long-term debt outstanding.

Figure A-7

**Outstanding Long-Term Obligations**

	Total School District		Percentage Change 2008-2009
	2008	2009	
	\$	\$	
Contracts payable	189,184	159,313	-16%
Termination benefits	-	11,638	100%
<b>Total</b>	<b>189,184</b>	<b>170,951</b>	<b>-10%</b>

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Our budget enrollment dropped by over 100 students in 5 years. Declining enrollment will continue to impact the District in future years. The District continues to have more students open enrolling in that enrolled out.
- The District continues to experience an increase in the number of special education students at all three service levels.
- Associated costs of additional special education students are those for counseling and at-risk programs, which continues to grow. This includes an Alternative High School setting that is in place for the 2008-2009 school year.

- During 2008-2009, the District has completed or will complete several projects to renovate and repair the buildings, including roof repairs, tuck pointing exterior brick, and window repairs. In addition to the projects outside the building, there has been a major upgrade in lighting efficiency and heating improvements. Exterior doors are also being replaced throughout the building.
- The elimination of the state budget guarantee continues to place a greater burden on local taxpayers, as district costs do not necessarily decrease with fewer students.
- Under the District's fully-insured health care plan with Blue Cross-Blue Shield, premiums increased by 9% for 2008-2009.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

## RICEVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Assets</b>			
Cash and cash equivalents	1,566,813	31,856	1,598,669
Receivables:			
Property tax:			
Delinquent	33,178	-	33,178
Succeeding year	2,005,957	-	2,005,957
Accounts	293	17	310
Due from other governments	291,963	-	291,963
Inventories	-	10,390	10,390
Capital assets, net of accumulated depreciation	<u>1,188,638</u>	<u>18,612</u>	<u>1,207,250</u>
<b>Total assets</b>	<u>5,086,842</u>	<u>60,875</u>	<u>5,147,717</u>
<b>Liabilities</b>			
Accounts payable	60,337	-	60,337
Deferred revenue:			
Succeeding year property tax	2,005,957	-	2,005,957
Other	48,645	1,498	50,143
Long-term liabilities:			
Portion due within one year:			
Contract payable	29,871	-	29,871
Termination benefits	11,638	-	11,638
Portion due after one year:			
Contract payable	<u>129,442</u>	<u>-</u>	<u>129,442</u>
<b>Total liabilities</b>	<u>2,285,890</u>	<u>1,498</u>	<u>2,287,388</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,029,325	18,612	1,047,937
Restricted for:			
Categorical funding	39,538	-	39,538
Management levy	291,075	-	291,075
Physical plant and equipment levy	396,417	-	396,417
Other special revenue purposes	65,320	-	65,320
Sales tax capital projects	221,112	-	221,112
Unrestricted	<u>758,165</u>	<u>40,765</u>	<u>798,930</u>
<b>Total net assets</b>	<u>2,800,952</u>	<u>59,377</u>	<u>2,860,329</u>

See notes to financial statements.

Riceville Community School District

Statement of Activities

Year ended June 30, 2009

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,526,868	284,751	314,150	-
Special	458,464	73,535	85,314	-
Other	673,248	130,845	104,136	-
	<u>2,658,580</u>	<u>489,131</u>	<u>503,600</u>	<u>-</u>
Support services:				
Student	62,631	-	-	-
Instructional staff	65,479	-	1,800	-
Administration	403,636	-	-	-
Operation and maintenance of plant	483,832	450	-	-
Transportation	291,699	-	-	-
	<u>1,307,277</u>	<u>450</u>	<u>1,800</u>	<u>-</u>
Non-instructional programs	<u>2,067</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	164,104	-	-	-
AEA flowthrough	133,475	-	133,475	-
Depreciation (unallocated)*	75,812	-	-	-
	<u>373,391</u>	<u>-</u>	<u>133,475</u>	<u>-</u>
Total governmental activities	4,341,315	489,581	638,875	-
Business type activities:				
Non-instructional programs:				
Food service operations	154,936	106,080	54,486	-
Total	<u>4,496,251</u>	<u>595,661</u>	<u>693,361</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
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, as restated

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
\$	\$	\$
(927,967)	-	(927,967)
(299,615)	-	(299,615)
(438,267)	-	(438,267)
<u>(1,665,849)</u>	<u>-</u>	<u>(1,665,849)</u>
(62,631)	-	(62,631)
(63,679)	-	(63,679)
(403,636)	-	(403,636)
(483,382)	-	(483,382)
(291,699)	-	(291,699)
<u>(1,305,027)</u>	<u>-</u>	<u>(1,305,027)</u>
<u>(2,067)</u>	<u>-</u>	<u>(2,067)</u>
(164,104)	-	(164,104)
-	-	-
<u>(75,812)</u>	<u>-</u>	<u>(75,812)</u>
<u>(239,916)</u>	<u>-</u>	<u>(239,916)</u>
(3,212,859)	-	(3,212,859)
<u>-</u>	<u>5,630</u>	<u>5,630</u>
<u>(3,212,859)</u>	<u>5,630</u>	<u>(3,207,229)</u>
1,976,305	-	1,976,305
132,417	-	132,417
238,662	-	238,662
200,032	-	200,032
905,903	-	905,903
38,943	101	39,044
760	-	760
<u>3,493,022</u>	<u>101</u>	<u>3,493,123</u>
280,163	5,731	285,894
<u>2,520,789</u>	<u>53,646</u>	<u>2,574,435</u>
<u>2,800,952</u>	<u>59,377</u>	<u>2,860,329</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Physical Plant and Equipment Levy	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	687,934	327,103	299,565	252,211	1,566,813
Receivables:					
Property tax:					
Succeeding year	27,947	2,083	3,148	-	33,178
Accounts	1,695,575	110,382	200,000	-	2,005,957
Due from other governments	93	-	-	200	293
	190,711	67,231	-	34,021	291,963
<b>Total assets</b>	<u>2,602,260</u>	<u>506,799</u>	<u>502,713</u>	<u>286,432</u>	<u>3,898,204</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	60,337	-	-	-	60,337
Deferred revenue:					
Succeeding year property tax	1,695,575	110,382	200,000	-	2,005,957
Income surtax	80,678	67,231	-	-	147,909
Other	48,645	-	-	-	48,645
Total liabilities	<u>1,885,235</u>	<u>177,613</u>	<u>200,000</u>	<u>-</u>	<u>2,262,848</u>
Fund balances:					
Reserved for:					
Categorical funding	39,538	-	-	-	39,538
Unreserved reported in:					
General fund	677,487	-	-	-	677,487
Special revenue funds	-	329,186	302,713	65,320	697,219
Capital projects funds	-	-	-	221,112	221,112
Total fund balances	<u>717,025</u>	<u>329,186</u>	<u>302,713</u>	<u>286,432</u>	<u>1,635,356</u>
<b>Total liabilities and fund balances</b>	<u>2,602,260</u>	<u>506,799</u>	<u>502,713</u>	<u>286,432</u>	<u>3,898,204</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,635,356
<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.	1,188,638
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	147,909
Long-term liabilities, including contracts payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(170,951)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>2,800,952</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Physical Plant and Equipment Levy	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,891,254	228,252	200,054	200,032	2,519,592
Tuition	294,574	-	-	-	294,574
Other	87,892	248	5,435	140,375	233,950
State sources	1,310,489	63	94	-	1,310,646
Federal sources	234,132	-	-	-	234,132
Total revenues	<u>3,818,341</u>	<u>228,563</u>	<u>205,583</u>	<u>340,407</u>	<u>4,592,894</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,492,566	-	-	-	1,492,566
Special	458,464	-	-	-	458,464
Other	534,923	-	-	138,325	673,248
	<u>2,485,953</u>	<u>-</u>	<u>-</u>	<u>138,325</u>	<u>2,624,278</u>
Support services:					
Student	81,566	-	-	-	81,566
Instructional staff	47,907	17,572	-	-	65,479
Administration	380,652	-	22,984	-	403,636
Operation and maintenance of plant services	402,087	3,979	22,415	55,351	483,832
Transportation	220,159	-	7,763	-	227,922
	<u>1,132,371</u>	<u>21,551</u>	<u>53,162</u>	<u>55,351</u>	<u>1,262,435</u>
Non-instructional programs	-	-	2,067	-	2,067
Other expenditures:					
Facilities acquisition	-	1,021	-	193,758	194,779
Long-term debt:					
Principal	-	-	-	29,871	29,871
AEA flowthrough	133,475	-	-	-	133,475
	<u>133,475</u>	<u>1,021</u>	<u>-</u>	<u>223,629</u>	<u>358,125</u>
Total expenditures	<u>3,751,799</u>	<u>22,572</u>	<u>55,229</u>	<u>417,305</u>	<u>4,246,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66,542</u>	<u>205,991</u>	<u>150,354</u>	<u>(76,898)</u>	<u>345,989</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Physical Plant and Equipment Levy	Management Levy	Nonmajor Governmental Funds	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Other financing sources (uses):					
Sales of materials and equipment	760	-	-	-	760
Operating transfers in	-	-	-	29,871	29,871
Operating transfers out	-	(29,871)	-	-	(29,871)
Total other financing sources (uses)	<u>760</u>	<u>(29,871)</u>	<u>-</u>	<u>29,871</u>	<u>760</u>
Net change in fund balances	67,302	176,120	150,354	(47,027)	346,749
Fund balances beginning of year, as restated	<u>649,723</u>	<u>153,066</u>	<u>152,359</u>	<u>333,459</u>	<u>1,288,607</u>
Fund balances end of year	<u><u>717,025</u></u>	<u><u>329,186</u></u>	<u><u>302,713</u></u>	<u><u>286,432</u></u>	<u><u>1,635,356</u></u>

RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		346,749

**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. Depreciation expense exceeded capital outlay expenditures in the year as follows:

Expenditures for capital assets	81,144	
Depreciation expense	<u>(193,787)</u>	(112,643)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.

27,824

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.

29,871

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		<u>(11,638)</u>
----------------------	--	-----------------

**Changes in net assets of governmental activities (Exhibit B)**

280,163

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	31,856
Accounts receivable	17
Inventories	10,390
Capital assets, net of accumulated depreciation	<u>18,612</u>
<b>Total assets</b>	<u>60,875</u>
<b>Liabilities</b>	
Deferred revenue	<u>1,498</u>
<b>Net assets</b>	
Invested in capital assets	18,612
Unrestricted	<u>40,765</u>
<b>Total net assets</b>	<u><u>59,377</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>106,080</u>
Operating expenses:	
Non-instructional programs:	
Salaries	50,608
Benefits	12,547
Purchased services	7,309
Supplies	81,885
Depreciation	<u>2,587</u>
Total operating expenses	<u>154,936</u>
Operating gain (loss)	<u>(48,856)</u>
Non-operating revenue:	
State sources	1,936
Federal sources	52,550
Interest income	<u>101</u>
Total non-operating revenue	<u>54,587</u>
Change in net assets	5,731
Net assets beginning of year	<u>53,646</u>
Net assets end of year	<u><u>59,377</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	105,119
Cash payments to employees for services	(63,155)
Cash payments to suppliers for goods or services	(76,897)
Net cash used by operating activities	<u>(34,933)</u>
Cash flows from non-capital financing activities:	
State grants received	1,936
Federal grants received	41,930
Net cash provided by non-capital financing activities	<u>43,866</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>101</u>
Net increase (decrease) in cash and cash equivalents	9,034
Cash and cash equivalents at beginning of year	<u>22,822</u>
Cash and cash equivalents at end of year	<u><u>31,856</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(48,856)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	10,620
Depreciation	2,587
Decrease (increase) in inventories	1,677
Decrease (increase) in accounts receivable	(17)
(Decrease) increase in accounts payable	(2,442)
(Decrease) increase in deferred revenue	1,498
Net cash used by operating activities	<u><u>(34,933)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$10,620 of federal commodities.

# RICEVILLE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 1. Summary of Significant Accounting Policies

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

The Management Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The District reports the following nonmajor proprietary fund:

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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	1
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

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

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 receivables 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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

**E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Debt Service Fund	Physical Plant and Equipment Levy Fund	29,871

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

#### 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	37,000	-	-	37,000
Capital assets being depreciated:				
Buildings	2,489,234	30,675	-	2,519,909
Furniture and equipment	1,435,907	50,469	29,050	1,457,326
Total capital assets being deprec.	<u>3,925,141</u>	<u>81,144</u>	<u>29,050</u>	<u>3,977,235</u>
Less accumulated depreciation for:				
Buildings	1,559,943	75,812	-	1,635,755
Furniture and equipment	1,100,917	117,975	29,050	1,189,842
Total accumulated depreciation	<u>2,660,860</u>	<u>193,787</u>	<u>29,050</u>	<u>2,825,597</u>
Total capital assets being depreciated, net	<u>1,264,281</u>	<u>(112,643)</u>	-	<u>1,151,638</u>
Governmental activities capital assets, net	<u>1,301,281</u>	<u>(112,643)</u>	-	<u>1,188,638</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	153,966	-	-	153,966
Less accumulated depreciation	132,767	2,587	-	135,354
Business type activities capital assets, net	<u>21,199</u>	<u>(2,587)</u>	-	<u>18,612</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	52,094
Support Services:	
Student services	2,104
Transportation	63,777
	<u>117,975</u>
Unallocated depreciation	75,812
Total depreciation expense – governmental activities	<u>193,787</u>
Business type activities:	
Food services	2,587
	<u>2,587</u>

## 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Contract payable	189,184	-	29,871	159,313	29,871
Termination benefits	-	11,638	-	11,638	11,638
Total	<u>189,184</u>	<u>11,638</u>	<u>29,871</u>	<u>170,951</u>	<u>41,509</u>

### Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twelve years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement benefits are equal to 100% of the difference of where they are on the salary schedule and the current base B.A. salary of the current contract. Support staff will receive 35% of their wages. Also the District will pay \$80 per day for unused sick leave beyond 75 days accumulation up to and including the 100<sup>th</sup> day of accumulation, not to exceed \$2,000 per employee.

Early retirement benefits will be paid in the July following retirement.

At June 30, 2009, the District has obligations to one participant with a total liability of \$11,638. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$0.

### Contract Payable

During the year ended June 30, 2008, the District entered into a contract for lighting improvements. The contract bears no interest and is payable from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2009 are as follows:

Year Ending June 30,	Principal
	\$
2010	29,871
2011	29,871
2012	29,871
2013	29,871
2014	29,871
2015	9,958
	<u>159,313</u>

During the year ended June 30, 2009 the District made principal payments totaling \$29,871 under the agreement.

## 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 that are established by state statute to plan members and

beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual 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 \$142,959, \$132,118, and \$137,763 respectively, equal to the required contributions for each year.

**7. Risk Management**

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

**8. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$133,475 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. Operating Lease**

The District has entered into a 60 month operating lease for copy machines. Payments are due as follows:

Year Ending June 30,	\$
2010	8,268
2011	8,268
Total	<u>16,536</u>

**10. Restatement of Beginning Balances**

The beginning fund balance of the Nonmajor Governmental Capital Projects Fund and the Governmental Activities beginning net assets were restated because June 30, 2008 receivables were understated by \$18,699.

REQUIRED SUPPLEMENTARY INFORMATION

RICEVILLE 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	3,048,116	106,181	3,154,297	3,190,839	3,190,839	(36,542)
State sources	1,310,646	1,936	1,312,582	1,509,596	1,509,596	(197,014)
Federal sources	234,132	52,550	286,682	239,000	239,000	47,682
Total revenues	<u>4,592,894</u>	<u>160,667</u>	<u>4,753,561</u>	<u>4,939,435</u>	<u>4,939,435</u>	<u>(185,874)</u>
Expenditures/Expenses:						
Instruction	2,624,278	-	2,624,278	2,946,289	2,946,289	322,011
Support services	1,262,435	-	1,262,435	1,836,182	1,836,182	573,747
Non-instructional programs	2,067	154,936	157,003	266,234	266,234	109,231
Other expenditures	358,125	-	358,125	1,067,273	1,067,273	709,148
Total expenditures/expenses	<u>4,246,905</u>	<u>154,936</u>	<u>4,401,841</u>	<u>6,115,978</u>	<u>6,115,978</u>	<u>1,714,137</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	345,989	5,731	351,720	(1,176,543)	(1,176,543)	1,528,263
Other financing sources (uses) net	<u>760</u>	<u>-</u>	<u>760</u>	<u>10,000</u>	<u>10,000</u>	<u>(9,240)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	346,749	5,731	352,480	(1,166,543)	(1,166,543)	1,519,023
Balance beginning of year	<u>1,288,607</u>	<u>53,646</u>	<u>1,342,253</u>	<u>1,760,119</u>	<u>1,760,119</u>	<u>(417,866)</u>
Balance end of year	<u><u>1,635,356</u></u>	<u><u>59,377</u></u>	<u><u>1,694,733</u></u>	<u><u>593,576</u></u>	<u><u>593,576</u></u>	<u><u>1,101,157</u></u>

RICEVILLE 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 the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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 ended June 30, 2009, expenditures did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue Fund		
	Student Activity Fund	Capital Projects	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	65,120	187,091	252,211
Receivables:			
Accounts	200	-	200
Due from other governments	-	34,021	34,021
<b>Total assets</b>	<u>65,320</u>	<u>221,112</u>	<u>286,432</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved reported in:			
Special revenue funds	65,320	-	65,320
Capital projects funds	-	221,112	221,112
Total fund balances	<u>65,320</u>	<u>221,112</u>	<u>286,432</u>
<b>Total liabilities and fund balances</b>	<u>65,320</u>	<u>221,112</u>	<u>286,432</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Fund			
	Student Activity Fund	Capital Projects	Debt Service	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	200,032	-	200,032
Other	137,012	3,363	-	140,375
Total revenues	<u>137,012</u>	<u>203,395</u>	<u>-</u>	<u>340,407</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	138,325	-	-	138,325
Support services:				
Operation and maintenance of plant services	-	55,351	-	55,351
Other expenditures:				
Facilities acquisition	-	193,758	-	193,758
Long-term debt:				
Principal	-	-	29,871	29,871
Total expenditures	<u>138,325</u>	<u>249,109</u>	<u>29,871</u>	<u>417,305</u>
Excess (deficiency) of revenues over (under) expenditures	(1,313)	(45,714)	(29,871)	(76,898)
Other financing sources (uses):				
Operating transfers in	-	-	29,871	29,871
Net change in fund balances	(1,313)	(45,714)	-	(47,027)
Fund balances beginning of year, as restated	<u>66,633</u>	<u>266,826</u>	<u>-</u>	<u>333,459</u>
Fund balances end of year	<u><u>65,320</u></u>	<u><u>221,112</u></u>	<u><u>-</u></u>	<u><u>286,432</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Annual	5,851	8,718	9,062	5,507
Athletics	51	54,656	53,015	1,692
Wrestling	2,105	487	330	2,262
Girls basketball	416	-	-	416
Volleyball	380	660	719	321
Boys basketball I	52	-	-	52
Softball	260	95	-	355
Baseball	380	8,764	7,969	1,175
Cheerleaders	1,092	1,358	1,492	958
Class of 2009	1,202	-	1,202	-
Class of 2010	3,507	400	1,778	2,129
Class of 2011	3,832	342	7	4,167
Class of 2012	2,653	-	53	2,600
Class of 2013	2,059	1,883	977	2,965
Class of 2014	984	1,450	790	1,644
Class of 2015	-	3,664	2,034	1,630
Future farmers of America	14,810	34,077	33,641	15,246
Honor society	467	492	759	200
Junior high library	1,351	8	70	1,289
Vocal music	700	2,294	2,869	125
Instrumental music	2,279	3,385	2,330	3,334
Resale:				
Shop	403	253	513	143
Vocational agriculture	435	732	518	649
Spanish class	34	-	-	34
Special plans	17,414	4,852	10,027	12,239
Business ed	-	4,633	4,150	483
Speech and forensics	2,314	785	1,403	1,696
Journalism	53	-	-	53
Video production	25	42	-	67
HS student council	588	604	647	545
MS student council	107	-	-	107
Intro to manufacturing	54	-	-	54
Electrathon	157	-	-	157
Senior graduation account	362	-	-	362
Foods class	256	2,378	1,970	664
Total	66,633	137,012	138,325	65,320

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,519,592	2,705,572	2,348,961	2,104,770	2,007,868	1,876,077
Tuition	294,574	223,692	216,260	195,239	156,087	108,229
Other	233,950	333,642	287,410	282,852	218,016	178,441
State sources	1,310,646	1,237,468	1,467,065	1,289,154	1,403,190	1,262,474
Federal sources	234,132	168,379	170,134	205,730	169,805	194,987
<b>Total revenues</b>	<b>4,592,894</b>	<b>4,668,753</b>	<b>4,489,830</b>	<b>4,077,745</b>	<b>3,954,966</b>	<b>3,620,208</b>
Expenditures:						
Instruction:						
Regular instruction	1,492,566	1,629,605	1,582,941	1,454,349	1,452,958	1,547,523
Special instruction	458,464	253,381	573,884	419,474	368,598	272,466
Other instruction	673,248	584,317	267,974	485,726	423,577	464,293
Support services:						
Student services	81,566	80,494	79,853	92,833	117,210	111,184
Instructional staff services	65,479	132,113	102,340	81,403	108,739	70,667
Administration services	403,636	412,417	508,308	475,289	488,844	492,758
Operation and maintenance	483,832	425,216	408,681	376,840	371,090	317,152
Transportation services	227,922	399,862	340,750	367,977	269,025	232,706
Central support services	-	-	-	-	97,791	1,986
Non-instructional programs	2,067	8,735	-	-	-	8,611
Other expenditures:						
Facilities acquisition	194,779	512,096	268,998	299,453	180,233	151,943
Long-term debt:						
Principal	29,871	19,914	-	-	-	-
AEA flowthrough	133,475	130,693	131,731	127,246	128,100	130,590
<b>Total expenditures</b>	<b>4,246,905</b>	<b>4,588,843</b>	<b>4,265,460</b>	<b>4,180,590</b>	<b>4,006,165</b>	<b>3,801,879</b>

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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  
Riceville 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 Riceville 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 April 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 Riceville 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 Riceville Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riceville 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 Riceville 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 Riceville Community School District's financial statements that is more than inconsequential will not be prevented or detected by Riceville 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 Riceville 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, 09-I-B and 09-I-C are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riceville 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.

Riceville 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 Riceville 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 Riceville Community School District and other parties to whom Riceville 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 Riceville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

April 29, 2010

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

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 that 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.

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.

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

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

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

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

Conclusion: Response accepted.

RICEVILLE 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, did not exceed the amounts budgeted.

09-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Deborah Oulman, Board Member, Oulman Office Complex	Rent of space	4,300

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with the Board Member does not appear to be a conflict of interest because the contract was competitively bid.

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: No transactions requiring board approval that had not been approved by the board were noted.

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

09-II-H Deposits and Investments: 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 were noted.

09-II-I Certified Annual Report: 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.

RICEVILLE 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

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		200,032
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	193,758	
Equipment	6,274	200,032
	<u>          </u>	<u>          </u>
Ending balance		<u>          </u> <u>          </u> -

09-II-L Student Activity and School Nutrition Funds Expenditure Procedures: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. We noted that the School Nutrition and Student Activity Funds were not following the statutory requirements for board approval prior to disbursement, publication of bills paid and board president signatures on warrants.

Recommendation: The District should implement procedures to ensure compliance with statutory requirements for disbursements in the School Nutrition and Student Activity Funds.

District Response: The District will pursue the auditor's recommendation.

Conclusion: Response accepted.