

RIVERSIDE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Statement of Changes in Fiduciary Net Assets	K	24
Notes to Basic Financial Statements		25-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	40
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	41
Fiduciary Funds:		
Combining Balance Sheet	4	42
Combining Statement of Changes in Fiduciary Net Assets	5	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	44
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 <u>Government Auditing Standards</u>		45-46
Schedule of Findings		47-53

Riverside Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Glen Schechinger	President	2008
Mark Beedle	Vice President	2009
Richard Kates	Board Member	2009
Greg Hansen	Board Member	2009
Tom Novotny	Board Member	2010
Connie Haines	Board Member	2009
Jack Fox	Board Member	2008
Board of Education (After September 2008 Election)		
Mark Beedle	President	2009
Tom Novotny	Vice President	2011*
Richard Kates	Board Member	2009
Greg Hansen	Board Member	2009
Connie Haines	Board Member	2009
Dan Ives	Board Member	2011
Jeff Buckingham	Board Member	2011
School Officials		
Dr. James Sutton	Superintendent	2009
Tim Blum	Business Manager/ District Treasurer	2009
Marilyn Mickey	Board Secretary	2009
Joe Thornton	Attorney	2009

* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Riverside Community School District, Carson, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2010 on our consideration of the Riverside Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of 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 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverside Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.


NOLTE, CORNMAN & JOHNSON, P.C.

January 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,927,221 in fiscal 2008 to \$6,332,957 in fiscal 2009, while General Fund expenditures decreased from \$6,030,875 in fiscal 2008 to \$6,016,872 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$230,385 in fiscal 2008 to a balance of \$546,470 in fiscal 2009.
- The increase in General Fund revenues was attributable to increases in local source revenues in fiscal 2009. The decrease in expenditures was due primarily to decreases in support services expenditures. The increase in revenues combined with the decrease in expenditures contributed to the increase in General Fund balance.

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 Riverside 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 Riverside Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Riverside Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Riverside Community School District Annual Financial Report

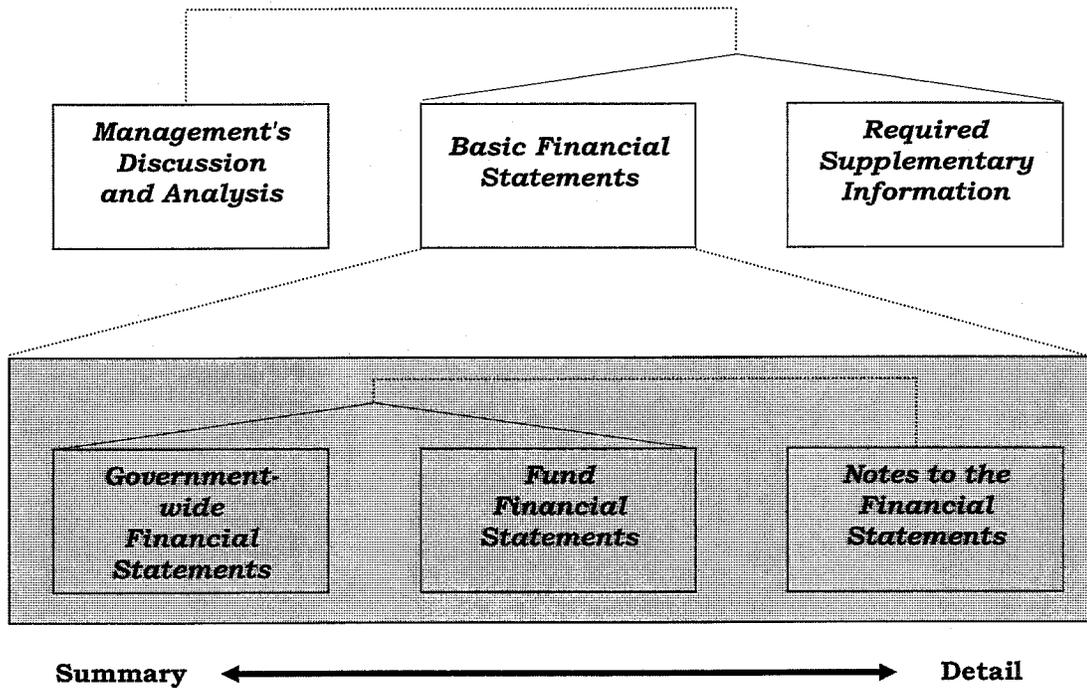


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and 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 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, the Special Revenue Funds, the Capital Projects Fund, and the Debt Service 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 Funds, the School Nutrition Fund and the Day Care Fund. The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District has one Internal Service Fund that is used to account for the District's employee flexible benefit plan.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust 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 that 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 the statement of fiduciary net assets and the 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 year end June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 7,477,763	6,712,009	8,762	79,896	7,486,525	6,791,905	10.23%
Capital assets	2,843,164	3,022,242	27,745	19,021	2,870,909	3,041,263	-5.60%
Total assets	10,320,927	9,734,251	36,507	98,917	10,357,434	9,833,168	5.33%
Long-term obligations	287,757	289,612	0	0	287,757	289,612	-0.64%
Other liabilities	3,729,183	3,771,873	9,084	76,246	3,738,267	3,848,119	-2.85%
Total liabilities	4,016,940	4,061,485	9,084	76,246	4,026,024	4,137,731	-2.70%
Net assets:							
Invested in capital assets, net of related debt	2,799,594	2,963,566	27,745	19,021	2,827,339	2,982,587	-5.21%
Restricted	2,659,020	2,163,255	0	0	2,659,020	2,163,255	22.92%
Unrestricted	845,373	545,945	(322)	3,650	845,051	549,595	53.76%
Total net assets	\$ 6,303,987	5,672,766	27,423	22,671	6,331,410	5,695,437	11.17%

The District's combined net assets increased by 11.17%, or \$635,973, from the prior year. The largest portion of the District's net assets is restricted net 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 \$495,765, or 22.92% over the prior year. The increase was primarily a result of increases in fund balances by all of the District's governmental funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$295,456, or 53.76%. This increase in unrestricted net assets was primarily a result of the District’s increase in the General Fund balance.

Figure A-4 shows the changes in total net assets for the years ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 332,317	529,754	248,002	212,471	580,319	742,225	-21.81%
Operating grants and contributions and restricted interest	912,538	771,752	130,706	150,936	1,043,244	922,688	13.07%
General revenues:							
Property tax	2,708,271	2,363,836	0	0	2,708,271	2,363,836	14.57%
Income surtax	386,205	295,944	0	0	386,205	295,944	30.50%
Statewide sales and services tax	538,404	426,514	0	0	538,404	426,514	26.23%
Unrestricted state grants	2,240,107	2,286,012	0	0	2,240,107	2,286,012	-2.01%
Unrestricted investment earnings	78,452	132,250	333	478	78,785	132,728	-40.64%
Other	164,400	0	0	0	164,400	0	100.00%
Transfers	(13,695)	0	13,695	0	0	0	100.00%
Total revenues and transfers	7,346,999	6,806,062	392,736	363,885	7,739,735	7,169,947	7.95%
Program expenses:							
Governmental activities:							
Instruction	4,404,035	4,466,595	0	0	4,404,035	4,466,595	-1.40%
Support services	1,739,101	1,836,241	50	0	1,739,151	1,836,241	-5.29%
Non-instructional programs	0	0	387,934	399,147	387,934	399,147	-2.81%
Other expenses	572,642	468,556	0	0	572,642	468,556	22.21%
Total expenses	6,715,778	6,771,392	387,984	399,147	7,103,762	7,170,539	-0.93%
Changes in net assets	631,221	34,670	4,752	(35,262)	635,973	(592)	107527.87%
Net assets beginning of year	5,672,766	5,638,096	22,671	57,933	5,695,437	5,696,029	-0.01%
Net assets end of year	\$ 6,303,987	5,672,766	27,423	22,671	6,331,410	5,695,437	11.17%

In fiscal 2009, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 79.93% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96.43% of the revenue from business type activities.

The District’s total revenues were approximately \$7.74 million of which \$7.35 million was for governmental activities and approximately \$0.39 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 7.95% increase in revenues and a 0.93% decrease in expenses. The increase in revenues was due to increased operating grants and contributions revenues the District received during fiscal 2009. The decrease in expenses was due primarily to decreases in support services expenses.

Governmental Activities

Revenues for governmental activities were \$7,346,999 and expenses were \$6,715,778 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 4,404,035	4,466,595	-1.40%	3,395,569	3,402,135	-0.19%
Support services	1,739,101	1,836,241	-5.29%	1,739,101	1,814,005	-4.13%
Other expenses	572,642	468,556	22.21%	336,253	253,746	32.52%
Totals	\$ 6,715,778	6,771,392	-0.82%	5,470,923	5,469,886	0.02%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$332,317.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$912,538.
- The net cost of governmental activities was financed with \$2,708,271 in property tax, \$386,205 in income surtax, \$538,404 in local option sales and services tax, \$2,240,107 in unrestricted state grants, \$78,452 in interest income and \$164,400 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2009 were \$392,736 representing a 7.93% increase over the prior year, while expenses totaled \$387,984, a 2.80% decrease from the prior year. The District's business -type activities include the School Nutrition Fund and the Day Care 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 Riverside Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,399,494, above last year's ending fund balances of \$2,624,576. However, the primary reason for the increase in ending fund balances could be attributable to the increases in the General Fund and Capital Projects Fund balances in fiscal 2009.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. Increases in local tax revenues and state grants resulted in an increase in revenues. The

District's decrease in General Fund expenditures was tied to decreases in support services expenditures. The increase in revenues combined with the decrease in expenditures contributed to the increase in the financial position of the District.

- The Capital Projects fund balance increased from \$1,975,150 in 2008 to \$2,419,361 in 2009, due to a decrease in capital project expenditures.
- The Special Revenue, Management Fund balance increased from \$283,887 to \$344,730. This increase was due primarily to the increase in local revenues from the prior year.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$87,416 to \$44,939, due to the increase in facilities acquisitions expenditures from the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit \$35,489 at June 30, 2008 to a deficit \$12,632 at June 30, 2009, representing an increase of 64.41%. The increase in net assets is due primarily to the increase in revenues and decrease in expenditures. The Day Care Fund net assets decreased from \$58,160 at June 30, 2008 to \$40,055 at June 30, 2009. The decrease in net assets was due primarily to an increase in salary expenses from the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$375,748 less than budgeted revenues, a variance of 4.64%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$2.87 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 amount represents a net decrease of 5.60% from the prior year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$217,512.

The original cost of the District's capital assets was \$8,957,060. Governmental funds account for \$8,884,116 with the remainder of \$72,944 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$830,831 at June 30, 2008, compared to \$115,650 reported at June 30, 2009. This decrease was due mainly to a reclassification of assets from the prior year audit.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 10,000	10,000	0	0	10,000	10,000	0.00%
Buildings	2,568,183	1,825,193	0	0	2,568,183	1,825,193	28.93%
Land improvements	115,650	830,831	0	0	115,650	830,831	-618.40%
Machinery and equipment	149,331	356,218	27,745	19,021	177,076	375,239	-111.91%
Total	\$ 2,843,164	3,022,242	27,745	19,021	2,870,909	3,041,263	-5.60%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$287,757 in total long-term debt outstanding. This represents a decrease of 0.64% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had a computer lease payable of \$43,570 at June 30, 2009.

The District had early retirement benefits payable of \$237,358 at June 30, 2009.

The District had compensated absences payable of \$6,829 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Computer lease	\$ 43,570	0	100.00%
Bus lease	0	58,676	-100.00%
Early retirement	237,358	230,936	2.78%
Compensated Absences	6,829	0	100.00%
Total	\$ 287,757	289,612	-0.64%

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:

- With the District's current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

-
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Tim Blum, Business Manager/Board Treasurer, Riverside Community School District, 330 Pleasant St, Carson, IA 51525.

BASIC FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP	\$ 588,168	0	588,168
Other	3,549,596	54,923	3,604,519
Receivables:			
Property tax:			
Delinquent	85,672	0	85,672
Succeeding year	2,640,093	0	2,640,093
Income surtax	296,032	0	296,032
Accounts	5,792	0	5,792
Accrued ISCAP interest	73	0	73
Due from other funds	61,782	(61,782)	0
Due from other governments	250,555	0	250,555
Inventories	0	15,621	15,621
Capital assets, net of accumulated depreciation	2,843,164	27,745	2,870,909
TOTAL ASSETS	10,320,927	36,507	10,357,434
LIABILITIES			
Accounts payable	8,368	0	8,368
Salaries and benefits payable	463,705	6,006	469,711
Interest payable	2,168	0	2,168
ISCAP warrants payable	579,000	0	579,000
ISCAP accrued interest payable	198	0	198
ISCAP unamortized premium	11,208	0	11,208
Deferred revenue:			
Succeeding year property tax	2,640,093	0	2,640,093
Other	24,443	0	24,443
Unearned revenue	0	3,078	3,078
Long-term liabilities:			
Portion due within one year:			
Computer lease	21,181	0	21,181
Early retirement	62,322	0	62,322
Compensated absences	6,829	0	6,829
Portion due after one year:			
Computer lease	22,389	0	22,389
Early retirement	175,036	0	175,036
TOTAL LIABILITIES	4,016,940	9,084	4,026,024
NET ASSETS			
Invested in capital assets, net of related debt	2,799,594	27,745	2,827,339
Restricted for:			
Categorical Funding	43,354	0	43,354
Capital projects	2,419,361	0	2,419,361
Management levy	107,372	0	107,372
Physical plant and equipment levy	44,939	0	44,939
Other special revenue purposes	43,994	0	43,994
Unrestricted	845,373	(322)	845,051
TOTAL NET ASSETS	\$ 6,303,987	27,423	6,331,410

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,120,854	170,774	641,909	(2,308,171)	0	(2,308,171)
Special instruction	865,248	0	34,240	(831,008)	0	(831,008)
Other instruction	417,933	161,543	0	(256,390)	0	(256,390)
	<u>4,404,035</u>	<u>332,317</u>	<u>676,149</u>	<u>(3,395,569)</u>	<u>0</u>	<u>(3,395,569)</u>
Support services:						
Student	188,921	0	0	(188,921)	0	(188,921)
Instructional staff	119,850	0	0	(119,850)	0	(119,850)
Administration	585,183	0	0	(585,183)	0	(585,183)
Operation and maintenance of plant	534,908	0	0	(534,908)	0	(534,908)
Transportation	310,239	0	0	(310,239)	0	(310,239)
	<u>1,739,101</u>	<u>0</u>	<u>0</u>	<u>(1,739,101)</u>	<u>0</u>	<u>(1,739,101)</u>
Other expenditures:						
Facilities acquisitions	187,107	0	0	(187,107)	0	(187,107)
Long-term debt interest	1,491	0	0	(1,491)	0	(1,491)
AEA flowthrough	236,389	0	236,389	0	0	0
Depreciation(unallocated)*	147,655	0	0	(147,655)	0	(147,655)
	<u>572,642</u>	<u>0</u>	<u>236,389</u>	<u>(336,253)</u>	<u>0</u>	<u>(336,253)</u>
Total governmental activities	6,715,778	332,317	912,538	(5,470,923)	0	(5,470,923)
Business type activities:						
Support services:						
Administration	50	0	0	0	(50)	(50)
Non-instructional programs:						
Nutrition services	279,349	157,805	130,706	0	9,162	9,162
Day-care services	108,585	90,197	0	0	(18,388)	(18,388)
Total business-type activities	<u>387,934</u>	<u>248,002</u>	<u>130,706</u>	<u>0</u>	<u>(9,276)</u>	<u>(9,276)</u>
Total	<u>\$ 7,103,762</u>	<u>580,319</u>	<u>1,043,244</u>	<u>(5,470,923)</u>	<u>(9,276)</u>	<u>(5,480,199)</u>
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,624,093	0	2,624,093
Capital outlay				84,178	0	84,178
Income surtax				386,205	0	386,205
Statewide sales and service tax				538,404	0	538,404
Unrestricted state grants				2,240,107	0	2,240,107
Unrestricted investment earnings				78,452	333	78,785
Other				164,400	0	164,400
Transfers				(13,695)	13,695	0
Total general revenues and transfers				<u>6,102,144</u>	<u>14,028</u>	<u>6,116,172</u>
Changes in net assets				631,221	4,752	635,973
Net assets beginning of year				<u>5,672,766</u>	<u>22,671</u>	<u>5,695,437</u>
Net assets end of year				<u>\$ 6,303,987</u>	<u>27,423</u>	<u>6,331,410</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP	\$ 588,168	0	0	588,168
Other	740,889	2,327,036	426,449	3,494,374
Receivables:				
Property tax:				
Delinquent	77,633	0	8,039	85,672
Succeeding year	2,388,796	0	251,297	2,640,093
Income surtax	296,032	0	0	296,032
Accounts	5,792	0	0	5,792
Accrued ISCAP interest	73	0	0	73
Due from other funds	62,412	0	0	62,412
Due from other governments	158,230	92,325	0	250,555
TOTAL ASSETS	\$ 4,318,025	2,419,361	685,785	7,423,171
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 8,368	0	0	8,368
Salaries and benefits payable	463,510	0	195	463,705
Due to other funds	0	0	630	630
ISCAP warrants payable	579,000	0	0	579,000
ISCAP accrued interest payable	198	0	0	198
ISCAP unamortized premium	11,208	0	0	11,208
Deferred revenue:				
Succeeding year property tax	2,388,796	0	251,297	2,640,093
Income surtax	296,032	0	0	296,032
Other	24,443	0	0	24,443
Total liabilities	3,771,555	0	252,122	4,023,677
Fund balances:				
Reserved for:				
Categorical Funding	43,354	0	0	43,354
Unreserved	503,116	2,419,361	433,663	3,356,140
Total fund balances	546,470	2,419,361	433,663	3,399,494
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,318,025	2,419,361	685,785	7,423,171

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE 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 (page 16)	\$	3,399,494
 <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 in the governmental funds.		2,843,164
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,168)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		55,222
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		296,032
Long-term liabilities, including leases payable, compensated absences, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(287,757)</u>
Net assets of governmental activities (page 14)	\$	<u>6,303,987</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,818,118	538,404	256,054	3,612,576
Tuition	154,795	0	0	154,795
Other	207,517	33,852	179,005	420,374
State sources	2,962,882	0	118	2,963,000
Federal sources	189,645	0	0	189,645
Total revenues	<u>6,332,957</u>	<u>572,256</u>	<u>435,177</u>	<u>7,340,390</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,943,818	0	165,287	3,109,105
Special	865,248	0	0	865,248
Other	415,539	0	0	415,539
	<u>4,224,605</u>	<u>0</u>	<u>165,287</u>	<u>4,389,892</u>
Support services:				
Student	188,921	0	0	188,921
Instructional staff	81,443	0	38,407	119,850
Administration	582,390	0	0	582,390
Operation and maintenance of plant	451,347	0	92,679	544,026
Transportation	251,777	0	217	251,994
	<u>1,555,878</u>	<u>0</u>	<u>131,303</u>	<u>1,687,181</u>
Other expenditures:				
Facilities acquisitions	0	171,615	62,650	234,265
Long-term debt:				
Principal	0	0	82,342	82,342
Interest and fiscal charges	0	0	2,639	2,639
AEA flowthrough	236,389	0	0	236,389
	<u>236,389</u>	<u>171,615</u>	<u>147,631</u>	<u>555,635</u>
Total expenditures	<u>6,016,872</u>	<u>171,615</u>	<u>444,221</u>	<u>6,632,708</u>
Excess(deficiency)of revenues over(under) expenditures	316,085	400,641	(9,044)	707,682
Other financing sources(uses):				
Transfers in	0	0	84,981	84,981
Transfers out	0	(23,666)	(61,315)	(84,981)
Proceeds from capital leases	0	67,236	0	67,236
Total other financing sources	<u>0</u>	<u>43,570</u>	<u>23,666</u>	<u>67,236</u>
Net change in fund balances	316,085	444,211	14,622	774,918
Fund balance beginning of year	230,385	1,975,150	419,041	2,624,576
Fund balance end of year	<u>\$ 546,470</u>	<u>2,419,361</u>	<u>433,663</u>	<u>3,399,494</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ 774,918

*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 outlays expenditures and depreciation expense in the current year, is as follows:

Capital expenditures	\$ 33,463	
Depreciation expense	<u>(212,541)</u>	(179,078)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	(67,236)	
Repaid	<u>82,342</u>	15,106

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,148

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 20,304

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 fund.

Compensated absences	(6,829)	
Early retirement	<u>(6,422)</u>	(13,251)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 12,074

Changes in net assets of governmental activities (page 15) \$ 631,221

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Buisness Type		Total	Governmental
	Activities:			
	Non Major		Enterprise	Internal
	Enterprise Funds	Day		
	School	Care	Funds	Fund
Nutrition	Nutrition	Care	Funds	Fund
ASSETS				
Cash and cash equivalents	\$ 10,070	44,853	54,923	55,222
Inventories	15,621	0	15,621	0
Capital assets, net of accumulated depreciation	27,745	0	27,745	0
TOTAL ASSETS	53,436	44,853	98,289	55,222
LIABILITIES				
Interfund payable	61,782	0	61,782	0
Salaries and benefits payable	1,208	4,798	6,006	0
Unearned revenues	3,078	0	3,078	0
TOTAL LIABILITES	66,068	4,798	70,866	0
NET ASSETS				
Invested in capital assets	27,745	0	27,745	0
Unrestricted	(40,377)	40,055	(322)	55,222
TOTAL NET ASSETS	\$ (12,632)	40,055	27,423	55,222

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business Type Activities:			Governmental Activities: Internal Service Fund
	Non Major Enterprise Funds		Total Non Major Enterprise Funds	
	School Nutrition	Day Care		
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 157,805	90,197	248,002	59,415
OPERATING EXPENSES:				
Support services:				
Administration	0	50	50	0
Non-instructional programs:				
Food service operations:				
Salaries	114,726	87,807	202,533	0
Benefits	41,491	17,650	59,141	0
Services	205	202	407	47,341
Supplies	114,663	2,926	117,589	0
Depreciation	4,971	0	4,971	0
Other	3,293	0	3,293	0
Total non-instructional programs	279,349	108,585	387,934	47,341
TOTAL OPERATING EXPENSES	279,349	108,635	387,984	47,341
OPERATING GAIN (LOSS)	(121,544)	(18,438)	(139,982)	12,074
NON-OPERATING REVENUES:				
Interest income	0	333	333	0
State sources	3,499	0	3,499	0
Federal sources	127,207	0	127,207	0
TOTAL NON-OPERATING REVENUES	130,706	333	131,039	0
Change in net assets before capital contributions	9,162	(18,105)	(8,943)	12,074
Capital contributions	13,695	0	13,695	0
Change in net assets	22,857	(18,105)	4,752	12,074
Net assets at beginning of year	(35,489)	58,160	22,671	43,148
Net assets end of year	\$ (12,632)	40,055	27,423	55,222

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business Type Activities:			Governmental
	Non Major			Activities:
	Enterprise Funds			Internal
	School	Day	Total	Service
	Nutrition	Care		Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 154,880	0	154,880	0
Cash received from miscellaneous operating activities	2,423	90,197	92,620	59,415
Cash payments to employees for services	(155,882)	(105,594)	(261,476)	0
Cash payments to suppliers for goods or services	(99,719)	(3,178)	(102,897)	(47,341)
Net cash used in operating activities	(98,298)	(18,575)	(116,873)	12,074
Cash flows from non-capital financing activities:				
State grants received	3,499	0	3,499	0
Federal grants received	109,157	0	109,157	0
Payments on interfund loans	(4,288)	0	(4,288)	0
Net cash provided by non-capital financing activities	108,368	0	108,368	0
Cash flows from investing activities:				
Interest on investments	0	333	333	0
Net increase(decrease)in cash and cash equivalents	10,070	(18,242)	(8,172)	12,074
Cash and cash equivalents at beginning of year	0	63,095	63,095	43,148
Cash and cash equivalents at end of year	\$ 10,070	44,853	54,923	55,222
Reconciliation of operating income(loss)to net cash used in operating activities:				
Operating (income)loss	\$ (121,544)	(18,438)	(139,982)	12,074
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	18,050	0	18,050	0
Depreciation	4,971	0	4,971	0
Decrease in inventories	392	0	392	0
Decrease in accounts receivable	788	0	788	0
Increase(Decrease)in salaries and benefits payable	335	(137)	198	0
Decrease in unearned revenue	(1,290)	0	(1,290)	0
Net cash provided by(used in)operating activities	\$ (98,298)	(18,575)	(116,873)	12,074
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 10,070	44,853	54,923	55,222
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
During the year ended June 30, 2009, the District received Federal commodities valued at \$18,050.				
During the year ended June 30, 2009, the District received Capital contributions valued at \$13,695 from the Capital Projects Fund.				

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 50,784
TOTAL ASSETS	<u>50,784</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Due to other groups	<u>0</u>
Net assets:	
Reserved for scholarships	50,784
TOTAL NET ASSETS	<u>\$ 50,784</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 50,900
Interest income	35
TOTAL ADDITIONS	50,935
DEDUCTIONS:	
Instruction:	
Scholarship awarded	0
Gain before other financing uses	50,935
Other financing uses:	
Unrealized loss	(151)
Change in net assets	50,784
Net assets beginning of year	0
Net assets end of year	\$ 50,784

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Pottawattamie County Assessors' 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 support.

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 that are attributed to the acquisition, construction, or improvement of those assets.

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

The District's proprietary funds include the Non Major Enterprise School Nutrition and Day Care Funds as well as the District's Internal Service Fund. The School Nutrition and Day Care Funds are used to account for the food service and day care operations of the District. The Internal Service

Fund is used to account for the District's employee flexible benefit plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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 judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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 funds of the District apply 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 Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 Balances

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery, 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.

Asset Class	Amount
Land	\$ 500
Buildings	5,000
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	5-20 years
Machinery and equipment	3-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the non-instructional functional area 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.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and are held by the district in the District's name. Certificates of deposit are stated at fair value.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
	Special Revenue:	
	Student Activity	
General	Fund	\$ 630
General	Enterprise:	
	School Nutrition	
	Fund	<u>61,782</u>
Total		<u>\$ 62,412</u>

The Special Revenue, Student Activity Fund and the Enterprise, School Nutrition Fund are repaying the General Fund for salaries that were paid out during the year. The balance will be repaid by June 30, 2010.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
	Special Revenue:	
	Physical Plant and	
Debt Service	Equipment Levy	\$ 61,315
Debt Service	Capital Projects	<u>23,666</u>
Total		<u>\$ 84,981</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee of the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/09	6/23/10	\$ 588,168	73	579,000	198

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2009-10A	2.500 %	0.902 %

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 60,869	13,695	1,620	72,944
Less accumulated depreciation	41,848	4,971	1,620	45,199
Business-type activities capital assets, net	\$ 19,021	8,724	0	27,745

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	0	0	10,000
Total capital assets not being depreciated	10,000	0	0	10,000
Capital assets being depreciated:				
Buildings	6,625,396	18,885	(978,614)	7,622,895
Land improvements	978,614	0	840,692	137,922
Machinery and equipment	1,329,207	14,578	230,486	1,113,299
Total capital assets being depreciated	8,933,217	33,463	92,564	8,874,116
Less accumulated depreciation for:				
Buildings	4,800,203	137,478	(117,031)	5,054,712
Land improvements	147,783	6,896	132,407	22,272
Machinery and equipment	972,989	68,167	77,188	963,968
Total accumulated depreciation	5,920,975	212,541	92,564	6,040,952
Total capital assets being depreciated, net	3,012,242	(179,078)	0	2,833,164
Governmental activities capital assets, net	\$ 3,022,242	(179,078)	0	2,843,164

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Other	\$ 2,394
Support services:	
Administration	6,096
Transportation	56,396
	<u>64,886</u>
Unallocated depreciation	<u>147,655</u>
Total governmental activities depreciation expense	<u>\$ 212,541</u>
Business type activities:	
Food service operations	<u>\$ 4,971</u>

(7) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Computer lease	\$ 0	67,236	23,666	43,570	21,181
Bus lease	58,676	0	58,676	0	0
Early Retirement	230,936	65,703	59,281	237,358	62,322
Compensated absences	0	6,829	0	6,829	6,829
Total	\$ 289,612	139,768	141,623	287,757	90,332

Computer Lease

During the year ended June 30, 2009 the District entered into a computer lease agreement. The lease bears an annual interest rate of 5.71% and is payable from the Capital Projects Fund. Details of the District's indebtedness under the lease agreement as of June 30, 2009 is as follows:

Year Ending June 30,	Computer lease issued August 15, 2008	Interest Rate	Principal	Interest	Total
2010	5.710 %	\$ 21,181	2,486	23,667	
2011	5.710	22,389	1,277	23,666	
Total		\$ 43,570	3,763	47,333	

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-seven and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives paid by the District include the premiums for a single health insurance coverage policy. The District paid out \$59,281 in benefits during the year and had a balance of \$237,358 at June 30, 2009.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death 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 salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members were required to contribute 3.90% of their annual salary and the District was required to contribute 6.05% of annual covered

payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 5.75% of annual covered Payroll for the year ended June 30, 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$236,604, \$223,780 and \$205,003 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

(10) Risk Management

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. Iowa Star Schools is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools was set up for the purpose of managing and funding employee benefits. Iowa Star Schools provides coverage and protection in the following categories: medical. District contributions to Iowa Star for the year ended June 30, 2009 were \$577,604.

Riverside 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.

(11) 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 \$236,389 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.

(12) Deficit Unrestricted Net Assets

The District has a deficit unrestricted net assets balance in the Enterprise School Nutrition Fund of \$40,377.

(13) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Core Curriculum	\$ 9,000
Beginning Teacher Mentoring	1,173
Professional Development	14,262
Teacher Quality, Salary Improvement	1,420
Talented and Gifted	<u>17,499</u>
 Total	 <u>\$ 43,354</u>

(14) Budget Overexpenditure

During the year ended June 30, 2009, expenditures in the non-instructional function exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,187,745	248,335	4,436,080	4,851,550	4,851,550	(415,470)
State sources	2,963,000	3,499	2,966,499	3,094,629	3,094,629	(128,130)
Federal sources	189,645	127,207	316,852	149,000	149,000	167,852
Total revenues	<u>7,340,390</u>	<u>379,041</u>	<u>7,719,431</u>	<u>8,095,179</u>	<u>8,095,179</u>	<u>(375,748)</u>
Expenditures:						
Instruction	4,389,892	0	4,389,892	4,665,569	4,665,569	275,677
Support services	1,687,181	50	1,687,231	2,701,089	2,701,089	1,013,858
Non-instructional programs	0	387,934	387,934	267,967	267,967	(119,967)
Other expenditures	555,635	0	555,635	2,422,835	2,422,835	1,867,200
Total expenditures/expenses	<u>6,632,708</u>	<u>387,984</u>	<u>7,020,692</u>	<u>10,057,460</u>	<u>10,057,460</u>	<u>3,036,768</u>
Excess(deficiency) of revenues over(under)expenditures/expenses	707,682	(8,943)	698,739	(1,962,281)	(1,962,281)	2,661,020
Other financing sources, net	67,236	13,695	80,931	0	0	80,931
Deficiency of revenues and other financing sources over(under) expenditures/expenses	774,918	4,752	779,670	(1,962,281)	(1,962,281)	2,741,951
Balance beginning of year	2,624,576	22,671	2,647,247	3,005,316	3,005,316	(358,069)
Balance end of year	<u>\$ 3,399,494</u>	<u>27,423</u>	<u>3,426,917</u>	<u>1,043,035</u>	<u>1,043,035</u>	<u>2,383,882</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE 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 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that 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 in the non-instructional function exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
ASSETS				
Cash and pooled investments	\$ 339,341	44,819	42,289	426,449
Receivables:				
Property tax:				
Delinquent	5,389	0	2,650	8,039
Succeeding year	167,000	0	84,297	251,297
TOTAL ASSETS	\$ 511,730	44,819	129,236	685,785
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and benefits payable	\$ 0	195	0	195
Due to other funds	0	630	0	630
Deferred revenue:				
Succeeding year property tax	167,000	0	84,297	251,297
Total liabilities	167,000	825	84,297	252,122
Fund balances:				
Unreserved	344,730	43,994	44,939	433,663
TOTAL LIABILITIES AND FUND BALANCES	\$ 511,730	44,819	129,236	685,785

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Fund					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 171,876	0	84,178	256,054	0	256,054
Other	17,028	161,543	434	179,005	0	179,005
State sources	75	0	43	118	0	118
TOTAL REVENUES	188,979	161,543	84,655	435,177	0	435,177
EXPENDITURES:						
Current:						
Instruction:						
Other	0	165,287	0	165,287	0	165,287
Support services:						
Instructional staff	38,407	0	0	38,407	0	38,407
Operation and maintenance of plant	89,729	0	2,950	92,679	0	92,679
Transportation	0	0	217	217	0	217
Other expenditures:						
Facilities acquisition	0	0	62,650	62,650	0	62,650
Long-term debt:						
Principal	0	0	0	0	82,342	82,342
Interest and fiscal charges	0	0	0	0	2,639	2,639
TOTAL EXPENDITURES	128,136	165,287	65,817	359,240	84,981	444,221
Excess(deficiency) of revenues over(under) expenditures	60,843	(3,744)	18,838	75,937	(84,981)	(9,044)
Other financing sources(uses):						
Transfers in	0	0	0	0	84,981	84,981
Transfers out	0	0	(61,315)	(61,315)	0	(61,315)
Total other financing sources(uses)	0	0	(61,315)	(61,315)	84,981	23,666
Excess(deficiency)of revenues and other other financing sources over(under) expenditures	60,843	(3,744)	(42,477)	14,622	0	14,622
Fund balance beginning of year	283,887	47,738	87,416	419,041	0	419,041
Fund balance end of year	\$ 344,730	43,994	44,939	433,663	0	433,663

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
5th Grade Project	\$ 1,803	0	321	1,482
Baseball camp	890	0	132	758
Dance Team	1,435	6,714	8,462	(313)
FFA	5,287	8,870	6,494	7,663
US West-Rold	20	0	0	20
1st grade-US West	418	0	0	418
MS student activities	4,045	29,664	22,016	11,693
Middle school library	(716)	2,982	1,763	503
FCCLA	664	3,779	5,333	(890)
ITAG grant	5	0	0	5
6th grade opera	29	0	0	29
Annual	2,549	8,110	8,121	2,538
Volleyball camp	265	2,023	0	2,288
Athletics	(17,620)	49,772	55,416	(23,264)
Cross country	47	0	0	47
Band	9,868	1,273	2,745	8,396
Football cheerleaders	475	2,554	2,109	920
HS pop fund	1,137	0	327	810
Business professionals of America	60	0	0	60
DC trip	3,072	0	0	3,072
Basketball camp	63	1,082	912	233
Class of 2009	5,079	212	2,613	2,678
International club	81	0	0	81
Student needs(civic donations)	4,528	1,630	932	5,226
JH band festival	584	0	0	584
MS student council	2,908	6,698	12,622	(3,016)
Science club	178	628	560	246
Library	241	0	0	241
North book fair	2,360	5,727	4,891	3,196
Preschool snack	1,110	772	897	985
R club	979	484	797	666
HS recognition area	553	810	49	1,314
Spring play	54	0	0	54
Special ed. Needs(Putnam classroom)	604	348	326	626
8th grade team	1,632	0	133	1,499
Softball clinic	143	110	(1,871)	2,124
Speech	14	26	392	(352)
HS student council	3,044	426	1,589	1,881
Wrestling cheerleader	208	2,331	1,936	603
Girls basketball camp	123	30	150	3
PC TAG camp	1,398	0	2,112	(714)
Vocal	450	1,406	1,550	306
Jump rope for heart	934	571	571	934
Art club	88	0	0	88
Class of 2008	1,005	0	1,005	0
Cheerleaders/BB	805	925	1,518	212
Class of 2010	1,163	11,651	11,516	1,298
Class of 2011	810	1,723	0	2,533
7th grade team	340	0	0	340
6th grade team	915	0	121	794
Outdoor classroom	128	0	0	128
MS vocal festival	198	0	0	198
Musical	844	2,176	1,582	1,438
Class of 2007	441	0	441	0
Class of 2012	0	845	0	845
Football camp	0	4,628	4,565	63
Pep club	0	563	139	424
Total	\$ 47,738	161,543	165,287	43,994

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund			
	Vickie Diane Lester Trust	Knights of Columbus	Other Scholarships	Total
ASSETS				
Cash and pooled investments	\$ 50,000	100	684	50,784
TOTAL ASSETS	<u>50,000</u>	<u>100</u>	<u>684</u>	<u>50,784</u>
LIABILITIES	0	0	0	0
NET ASSETS				
Reserved for scholarships	\$ 50,000	100	684	50,784

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund			
	Vickie Diane Lester Trust	Knights of Columbus	Other Scholarships	Total
	ADDITIONS:			
Local sources:				
Gifts and contributions	\$ 50,000	100	800	50,900
Interest income	0	0	35	35
	<u>50,000</u>	<u>100</u>	<u>835</u>	<u>50,935</u>
DEDUCTIONS:				
Instruction:				
Regular instruction:				
Scholarships awarded	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues over expenditures	50,000	100	835	50,935
OTHER FINANCING USES:				
Unrealized loss	0	0	(151)	(151)
	<u>0</u>	<u>0</u>	<u>(151)</u>	<u>(151)</u>
Changes in net assets	50,000	100	684	50,784
Net assets beginning of year	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net assets end of year	\$ 50,000	100	684	50,784
	<u>\$ 50,000</u>	<u>100</u>	<u>684</u>	<u>50,784</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 3,612,576	3,113,882	3,063,277	2,892,498	2,729,667
Tuition	154,795	169,227	113,999	110,783	113,448
Other	420,374	492,777	452,204	424,954	296,157
Intermediate sources	0	15,229	0	0	0
State sources	2,963,000	2,911,515	2,920,328	2,822,573	2,990,315
Federal sources	189,645	131,020	144,653	152,721	143,921
Total	\$ 7,340,390	6,833,650	6,694,461	6,403,529	6,273,508
Expenditures:					
Instruction:					
Regular	\$ 3,109,105	2,694,951	2,381,372	2,380,366	2,545,428
Special	865,248	835,938	803,953	830,959	883,740
Other	415,539	820,609	831,456	809,845	622,189
Support services:					
Student	188,921	189,734	180,071	184,844	190,846
Instructional staff	119,850	120,140	134,178	144,133	63,720
Administration	582,390	612,617	621,653	598,364	586,972
Operation and maintenance of plant	544,026	566,046	534,428	472,249	442,387
Transportation	251,994	295,056	438,144	360,060	271,719
Non-instructional programs:					
Food service operations	0	0	0	0	10,997
Other expenditures:					
Facilities acquisitions	234,265	382,908	365,101	484,305	115,785
Long-term debt:					
Principal	82,342	57,838	0	0	0
Interest	2,639	3,477	0	0	0
AEA flow-through	236,389	214,810	209,591	199,163	199,961
Total	\$ 6,632,708	6,794,124	6,499,947	6,464,288	5,933,744

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riverside Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 25, 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 Riverside Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Riverside Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverside Community School District's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

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

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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Riverside Community School District and other parties to whom Riverside Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 25, 2010

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The District is aware of the lack of complete segregation of duties. We will review our control procedures.

Conclusion - Response accepted.

CONTROL DEFICIENCIES

I-B-09 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District's records required numerous end of year adjustments. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - As a public school district we certainly understand the need for continuing education class for all of our staff. We will continue to evaluate and seek appropriate and timely continuing education within our budgets. "End of Year" training will be considered a priority for our accounting personnel.

Conclusion - Response accepted.

I-C-09 Grants - We noted during our audit, that when expenditures for specific projects were posted, expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - Project coding practices will be reviewed to insure compliance and minimization of error.

Conclusion - Response accepted.

I-D-09 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The District will review their practices and procedures and make appropriate changes, thus ensuring a more accurate representation of commodity values.

Conclusion - Response accepted.

I-E-09 Hourly Wages Payroll Procedures - We noted during our audit that the District did not maintain documentation on hours worked by coaches and non-certified staff for wage and hour purposes, as required by the Department of Labor.

Recommendation - The District should require documentation of hours worked for coaches who are not exempt. The District should monitor for minimum wage as well as overtime.

Response - The District will develop a procedure to correctly document the hours mentioned.

Conclusion - Response accepted.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 exceeded the certified budget amounts in the non-instructional function.

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

Response - The District will more carefully monitor expenditures and modify the budget when appropriate.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted during our audit that the District wrote a check to an individual student from the Student Activity Fund. This check was given to the student as an incentive prize. We also noted that gift cards were purchased and awarded to students as incentives. Giving cash or gift certificates/cards to students as incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District has revised procedure to insure that this practice does not continue.

Conclusion - Response accepted.

II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Wax, Teacher Owns Wax's Lawn Service	Lawn Service	\$325
Rhonda Crumley, Paraeducator Owns M&R Mowing	Lawn Services	\$12,780
Dan Ives, Board Member Coach	Coaching	\$1,500

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teacher and paraeducator do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the Board Member does not appear to represent a conflict of interest because the \$2,500 limit to the Board Members was not exceeded.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District understands the need for accurate and timely reports to the community and will work to insure this happens.

Conclusion - Response accepted.

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

II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

II-K-09 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.3 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		\$	0
Statewide sales and services tax revenue			538,404
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	130,212	
Other improvements		41,403	
Debt service for school infrastructure:			
Computer lease		23,666	195,281
		<u>23,666</u>	<u>195,281</u>
Ending balance		\$	<u>343,123</u>

II-L-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - The unclaimed property has been reported and turned over to the Treasurer of Iowa.

Conclusion - Response accepted.

II-M-09 Electronic Check Retention - We noted during our audit that the District receives their checks from the bank as photo images showing only the front of the checks. Per Chapter 544D.114 of the Code of Iowa, the District is required to retain both the front and back of check images.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - The District has contacted its financial institutions and is now receiving the recommended images.

Conclusion - Response accepted.

II-N-09 Cell Phone Policy - We noted during our audit that the District does not have a policy in place for the procedures on the payment of cell phone plans for certain members of the administrative staff.

Recommendation - The District should review the policies in place and implement a cell phone policy.

Response - The District will develop and adopt a policy to address this concern.

Conclusion - Response accepted.

II-O-09 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District will work to ensure that all policy manuals are updated in a timely manner.

Conclusion - Response accepted.

II-P-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any

other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Currently, donations from Target and Box Tops for Education are recorded in the Student Activity Fund. Target and Box Tops for Education donations are considered undesignated donations; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

Response - The District will change procedures to comply with the recommendation.

Conclusion - Response accepted.

II-Q-09 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2009, the Special Revenue, Student Activity Fund and the Enterprise, School Nutrition Fund owe the General fund \$630 and \$61,782 respectively. During the District's October 2009 meeting, the Board of Directors approved the payment of these interfund loans.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - Although the District has a plan for repayment, it appears that to comply with the declaratory ruling that the District should issue anticipatory warrants to repay the interfund loans.

Response - The interfund loan was repaid in October of 2009, however after the October 1st deadline. In the future the District will comply in a timelier manner.

Conclusion - Response accepted.

II-R-09 Financial Condition - The District had deficit unrestricted assets in the Enterprise, School Nutrition Fund of \$40,377. The District also had negative accounts in the Special Revenue, Student Activity Fund totaling \$28,549.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

Response - The District is aware of the deficits and is working to eliminate them as soon as funding permits.

Conclusion - Response accepted.