

ROCK VALLEY  
COMMUNITY SCHOOL DISTRICT

Rock Valley, Iowa

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

June 30, 2009

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 11
Statement of Activities	B 12
Governmental Fund Financial Statements:	
Balance Sheet	C 13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 14
Statement of Revenues, Expenditures and Changes in Fund Balances	E 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 16
Proprietary Fund Financial Statements:	
Statement of Net Assets - Proprietary Fund	G 17
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 18
Statement of Cash Flows	I 19
Notes to Financial Statements	20-30
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	31
Notes to Required Supplementary Information - Budgetary Reporting	32
OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Nonmajor Funds:	
Combining Balance Sheet	1 33
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 34
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 35
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4 36
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 <i>GOVERNMENT AUDITING STANDARDS</i>	37-38
SCHEDULE OF FINDINGS	39-42





## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



To the Board of Education of  
Rock Valley Community School District

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sioux City, Iowa  
February 26, 2010

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Rock Valley Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$5,465,652 in fiscal 2008 to \$6,109,055 in fiscal 2009, while General Fund expenditures increased from \$5,449,105 in fiscal 2008 to \$5,870,405 in fiscal 2009. The District's General Fund balance increased from \$1,182,460 in fiscal 2008 to \$1,433,927 in fiscal 2009, a 21.27 percent increase.
- The increase in General Fund revenues was primarily attributable to AEA aide salary reimbursements and state aid increases. The increase in General Fund expenditures was due primarily to salary increases, bus purchases and AEA aide salary payments.
- The District completed demolition of the Starkweather building. The remaining land was divided into 13 separate lots. Twelve of these lots were sold in fiscal year 2009 for \$200,500. The 13th lot was sold to the City of Rock Valley in fiscal year 2010 for \$50,000.

### **Using This Annual Report**

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

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

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

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

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

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

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

## **Reporting the District's Financial Activities**

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

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

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

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

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

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

The District has two kinds of funds.

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

The District's governmental funds include the General Fund, Management Levy, Physical Plant and Equipment Levy (PPEL) Fund, Student Activity, Debt Service and Capital Projects Fund.

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

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

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

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

### Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net assets at June 30, 2009 and 2008.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 7,927	\$ 7,373	\$ 103	\$ 132	\$ 8,030	\$ 7,505	7.0%
Capital assets, net	9,421	9,516	44	35	9,465	9,551	(1.0%)
Total assets	\$ 17,348	\$ 16,889	\$ 147	\$ 167	\$ 17,495	\$ 17,056	2.6%
Long-term liabilities	\$ 6,634	\$ 6,830	\$ -	\$ -	\$ 6,634	\$ 6,830	(2.9%)
Other liabilities	2,837	2,907	19	14	2,856	2,921	(2.2%)
Total liabilities	\$ 9,471	\$ 9,737	\$ 19	\$ 14	\$ 9,490	\$ 9,751	(2.7%)
Net assets:							
Invested in capital assets, net of related debt	\$ 2,994	\$ 2,828	\$ 44	\$ 35	\$ 3,038	\$ 2,863	6.1%
Restricted	3,532	3,142	-	-	3,532	3,142	12.4%
Unrestricted	1,351	1,182	84	118	1,435	1,300	10.4%
Total net assets	\$ 7,877	\$ 7,152	\$ 128	\$ 153	\$ 8,005	\$ 7,305	9.6%

The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 12.4 percent (approximately \$390,000) over the prior year primarily due to increased tax levies and increased state and local option sales tax. Also, many of the expenditures related to construction, which had been on-going the previous two years, were no longer present as major construction was complete.

Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net assets increased 10.4 percent (approximately \$135,000) over the prior year primarily due to increases in state aid and tax levies.

Figure A-2 shows the change in net assets for the years ended June 30, 2009 and 2008.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2008-2009
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 1,020	\$ 993	\$ 159	\$ 151	\$ 1,179	\$ 1,144	3.1%
Operating grants, contributions and restricted interest	1,418	1,036	134	136	1,552	1,172	32.4%
Capital grants and contributions	50	-	-	-	50	-	100.0%
<b>General revenues:</b>							
Property tax	2,748	2,520	-	-	2,748	2,520	9.0%
Unrestricted state grants	2,305	2,080	-	-	2,305	2,080	10.8%
Unrestricted investment earnings	154	263	3	7	157	270	(40.7%)
Other	1	1	-	-	1	1	0.0%
<b>Total revenues</b>	<b>\$ 7,696</b>	<b>\$ 6,893</b>	<b>\$ 296</b>	<b>\$ 294</b>	<b>\$ 7,992</b>	<b>\$ 7,187</b>	<b>11.2%</b>
<b>Program expenses:</b>							
Instruction	\$ 4,806	\$ 4,270	\$ -	\$ -	\$ 4,806	\$ 4,270	12.6%
Support services	1,569	1,628	-	-	1,569	1,628	(3.6%)
Non-instructional programs	-	-	321	305	321	305	5.2%
Other expenses	596	488	-	-	596	488	22.1%
<b>Total expenses</b>	<b>\$ 6,971</b>	<b>\$ 6,386</b>	<b>\$ 321</b>	<b>\$ 305</b>	<b>\$ 7,292</b>	<b>\$ 6,691</b>	<b>9.0%</b>
<b>Change in net assets</b>	<b>\$ 725</b>	<b>\$ 507</b>	<b>\$ (25)</b>	<b>\$ (11)</b>	<b>\$ 700</b>	<b>\$ 496</b>	<b>41.1%</b>

Property tax and unrestricted state grants account for 63.2 percent of the total revenue (64.0 percent in 2008). The District's expenses primarily relate to instruction and support services, which account for 87.4 percent of the total expenses (88.1 percent in 2008).

- Total revenues increased approximately \$805,000 or 11.2 percent primarily due to increases in state foundation aid of \$264,000 and increases in property taxes and state and local option taxes of \$227,000. The District also received AEA aide salary reimbursement of \$264,000 included in operating grants, contributions and restricted interest. These factors make up a majority of the revenue increase.
- Total expenses increased approximately \$601,000 or 9.0 percent primarily due to staff raises of 6.1 percent. This, along with salaries paid to AEA aides of \$264,000, and an increase in depreciation expense of approximately \$200,000 accounts for most of the increases in total expenses. Although total expenses increased, support services expenses decreased approximately \$59,000 or 3.6 percent primarily due to higher prior year costs associated with

construction projects that were expensed since they were lower than the District's capitalization threshold. There were less of these types of expenses in fiscal year 2009 due to the completion of construction projects.

Governmental Activities - Revenues for governmental activities were \$7,696,535 and expenses were \$6,971,476.

The following table presents the total and net cost of the District's major governmental activities for the years ended June 30, 2009 and 2008.

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

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2009	2008	Change	2009	2008	Change
Instruction	\$ 4,806	\$ 4,270	12.6%	\$ 2,697	\$ 2,535	6.4%
Support services	1,569	1,628	(3.6%)	1,483	1,547	(4.1%)
Other expenses	596	488	22.1%	304	275	10.5%
Totals	\$ 6,971	\$ 6,386	9.2%	\$ 4,484	\$ 4,357	2.9%

- The cost financed by users of the District's programs was \$1,019,499 (\$993,048 in 2008).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,467,960 (\$1,035,764 in 2008).
- The net cost of governmental activities was financed with \$2,748,469 in property and other taxes (\$2,520,029 in 2008) and \$2,304,888 in unrestricted state grants (\$2,080,124 in 2008).

Business Type Activities - Revenues for business type activities were \$295,927 (\$293,530 in 2008) and expenses were \$320,871 (\$304,649 in 2008). The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### Governmental Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,076,263, above last year's ending fund balances of \$4,504,546. The District's proprietary fund reported end of year net assets of \$128,117, below last year's ending net assets of \$153,061.

### Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$1,433,927 in its fund balance. The General Fund balance increased \$251,466 from last year due primarily to strong budgetary planning and concerns for future budget cuts from the Department of Education.

The District's Physical Plant and Equipment Levy (PPEL) increased its financial position ending the year with a fund balance of \$1,334,688 above last year's ending fund balance of \$1,002,340. The PPEL balance increased \$332,348 primarily due to the sale of the Starkweather Elementary land.

Proprietary Fund Highlights

Revenues for business type activities were \$295,927 and expenses were \$320,871. The District's business type activities included the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Budgetary Highlights

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

The District's actual disbursements were less than budget due primarily to under spending of all expenditure budgets, except the other expenditures functional area.

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

Capital Assets and Debt Administration

Capital Assets - At June 30, 2009, the District had invested \$9,465,292, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$420,135.

The original cost of the District's capital assets was \$12,057,045. Governmental funds account for \$11,971,825, with the remainder of \$85,220 accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business Type Activities		Total District		Percent
	2009	2008	2009	2008	2009	2008	Change
Land	\$ 42	\$ 68	\$ -	\$ -	\$ 42	\$ 68	(38.2%)
Land improvements	456	360	-	-	456	360	26.6%
Buildings and improvements	8,281	8,461	-	-	8,281	8,461	(2.1%)
Vehicles	335	272	-	-	335	272	23.2%
Machinery and equipment	307	355	44	35	351	390	(10.0%)
Totals	\$ 9,421	\$ 9,516	\$ 44	\$ 35	\$ 9,465	\$ 9,551	(0.1%)

Long-Term Debt - At June 30, 2009, the District had \$243,398 early retirement payable and \$6,390,000 bonds payable. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The following table presents the District's long-term liabilities as of June 30, 2009 and 2008:

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

	June 30,		Percent Change
	2009	2008	2008-2009
General obligation bonds	\$ 6,390	\$ 6,650	(3.9%)
Early retirement	244	181	34.8%
	<u>\$ 6,634</u>	<u>\$ 6,831</u>	<u>(2.9%)</u>

**Economic Factors Bearing on the District's Future**

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

- The District's funding is highly dependent upon its student enrollment. Fluctuations in enrollment can have a significant impact, but currently the District does not have any enrollment concerns.
- The District is concerned with the recent 10% budget cutbacks and with future cutbacks. Due to this, the District will consider a hiring freeze. Current employees will face a salary freeze along with a benefits freeze or perhaps even benefit cuts. Presently, the District has reduced both maintenance and support staff. Other staff will be held to regular hours only with no extra hours or overtime being permitted.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Taylor, Board Secretary, Rock Valley Community School District, 1712 20th Avenue, Rock Valley, Iowa 51247.

# **BASIC FINANCIAL STATEMENTS**

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,148,287	\$ 93,112	\$ 5,241,399
Receivables:			
Property tax:			
Current year	19,652	-	19,652
Succeeding year	2,488,478	-	2,488,478
Accounts	78,927	431	79,358
Due from other funds	14,245	-	14,245
Due from other governments	166,132	-	166,132
Inventories	10,925	9,952	20,877
Capital assets, net of accumulated depreciation	<u>9,421,057</u>	<u>44,235</u>	<u>9,465,292</u>
Total assets	<u>\$ 17,347,703</u>	<u>\$ 147,730</u>	<u>\$ 17,495,433</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 124,645	\$ -	\$ 124,645
Salaries and benefits payable	80,385	-	80,385
Due to other funds	-	14,245	14,245
Accrued interest	36,764	-	36,764
Deferred revenue - succeeding year property tax	2,488,478	-	2,488,478
Deferred revenue - other	106,875	5,368	112,243
Long-term liabilities:			
Portion due within one year:			
Early retirement	64,849	-	64,849
General obligation bonds	275,000	-	275,000
Portion due after one year:			
Early retirement	178,549	-	178,549
General obligation bonds	<u>6,115,000</u>	<u>-</u>	<u>6,115,000</u>
Total liabilities	<u>\$ 9,470,545</u>	<u>\$ 19,613</u>	<u>\$ 9,490,158</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 2,994,293	\$ 44,235	\$ 3,038,528
Restricted for:			
Categorical funding	83,368	-	83,368
Management levy	24,882	-	24,882
Physical plant and equipment levy	1,384,688	-	1,384,688
Other special revenue purposes	165,984	-	165,984
Capital projects	1,610,516	-	1,610,516
Debt service	262,868	-	262,868
Unrestricted	<u>1,350,559</u>	<u>83,882</u>	<u>1,434,441</u>
Total net assets	<u>\$ 7,877,158</u>	<u>\$ 128,117</u>	<u>\$ 8,005,275</u>
Total liabilities and net assets	<u>\$ 17,347,703</u>	<u>\$ 147,730</u>	<u>\$ 17,495,433</u>

See notes to financial statements.

Page 11

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

		Program Revenues		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,162,217	\$ 653,237	\$ 968,520	\$ -
Special instruction	986,719	74,403	88,103	-
Other instruction	<u>657,366</u>	<u>291,859</u>	<u>32,800</u>	-
	<u>\$ 4,806,302</u>	<u>\$ 1,019,499</u>	<u>\$ 1,089,423</u>	<u>\$ -</u>
Support services:				
Student services	\$ 179,794	\$ -	\$ -	\$ -
Instructional staff services	68,128	-	-	-
Administration services	589,005	-	-	-
Operation and maintenance of plant services	520,275	-	-	-
Transportation services	<u>212,189</u>	<u>-</u>	<u>86,241</u>	<u>-</u>
	<u>\$ 1,569,391</u>	<u>\$ -</u>	<u>\$ 86,241</u>	<u>\$ -</u>
Other expenses:				
Facilities acquisition	\$ -	\$ -	\$ -	\$ 50,000
Loss on sale of capital assets	86,867	-	-	-
Long-term debt interest	266,620	-	-	-
AEA flow through	<u>242,296</u>	<u>-</u>	<u>242,296</u>	<u>-</u>
	<u>\$ 595,783</u>	<u>\$ -</u>	<u>\$ 242,296</u>	<u>\$ 50,000</u>
Total governmental activities	<u>\$ 6,971,476</u>	<u>\$ 1,019,499</u>	<u>\$ 1,417,960</u>	<u>\$ 50,000</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>\$ 320,871</u>	<u>\$ 158,579</u>	<u>\$ 134,204</u>	<u>\$ -</u>
Total business type activities	<u>\$ 320,871</u>	<u>\$ 158,579</u>	<u>\$ 134,204</u>	<u>\$ -</u>
Total	<u>\$ 7,292,347</u>	<u>\$ 1,178,078</u>	<u>\$ 1,552,164</u>	<u>\$ 50,000</u>
<b>GENERAL REVENUES:</b>				
Property and other tax levied for:				
General purposes				
Capital projects (local option sales tax)				
Physical plant and equipment levy				
Debt service				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,540,460)	\$ -	\$ (1,540,460)
(824,213)	-	(824,213)
<u>(332,707)</u>	<u>-</u>	<u>(332,707)</u>
<u>\$ (2,697,380)</u>	<u>\$ -</u>	<u>\$ (2,697,380)</u>
\$ (179,794)	\$ -	\$ (179,794)
(68,128)	-	(68,128)
(589,005)	-	(589,005)
(520,275)	-	(520,275)
<u>(125,948)</u>	<u>-</u>	<u>(125,948)</u>
<u>\$ (1,483,150)</u>	<u>\$ -</u>	<u>\$ (1,483,150)</u>
\$ 50,000	\$ -	\$ 50,000
(86,867)	-	(86,867)
(266,620)	-	(266,620)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (303,487)</u>	<u>\$ -</u>	<u>\$ (303,487)</u>
<u>\$ (4,484,017)</u>	<u>\$ -</u>	<u>\$ (4,484,017)</u>
\$ -	\$ (28,088)	\$ (28,088)
\$ -	\$ (28,088)	\$ (28,088)
<u>\$ (4,484,017)</u>	<u>\$ (28,088)</u>	<u>\$ (4,512,105)</u>
\$ 1,654,303	\$ -	\$ 1,654,303
438,831	-	438,831
178,630	-	178,630
476,705	-	476,705
2,304,888	-	2,304,888
154,274	3,144	157,418
1,445	-	1,445
<u>\$ 5,209,076</u>	<u>\$ 3,144</u>	<u>\$ 5,212,220</u>
\$ 725,059	\$ (24,944)	\$ 700,115
<u>7,152,099</u>	<u>153,061</u>	<u>7,305,160</u>
<u>\$ 7,877,158</u>	<u>\$ 128,117</u>	<u>\$ 8,005,275</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

<u>ASSETS</u>	<u>General</u>	Physical Plant and Equipment <u>Levy</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Cash and pooled investments	\$ 1,593,653	\$ 1,322,780	\$ 1,552,984	\$ 258,766	\$ 420,104	\$ 5,148,287
Receivables:						
Property tax:						
Current year	14,013	1,537	-	4,102	-	19,652
Succeeding year	1,792,246	190,116	-	506,116	-	2,488,478
Accounts	13,184	10,371	-	-	5,372	28,927
Due from other funds	14,245	-	-	-	-	14,245
Due from other governments	99,318	-	66,814	-	-	166,132
Inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,925</u>	<u>10,925</u>
 Total assets	 <u>\$ 3,526,659</u>	 <u>\$ 1,524,804</u>	 <u>\$ 1,619,798</u>	 <u>\$ 768,984</u>	 <u>\$ 436,401</u>	 <u>\$ 7,876,646</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 113,226	\$ -	\$ 9,282	\$ -	\$ 2,137	\$ 124,645
Salaries and benefits payable	80,385	-	-	-	-	80,385
Deferred revenue:						
Succeeding year property tax	1,792,246	190,116	-	506,116	-	2,488,478
Other	<u>106,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,875</u>
Total liabilities	<u>\$ 2,092,732</u>	<u>\$ 190,116</u>	<u>\$ 9,282</u>	<u>\$ 506,116</u>	<u>\$ 2,137</u>	<u>\$ 2,800,383</u>
 Fund balances:						
Reserved:						
Categorical funding	\$ 83,368	\$ -	\$ -	\$ -	\$ -	\$ 83,368
Debt service	-	-	-	262,868	-	262,868
Unreserved:						
Designated:						
Building improvements and maintenance	490,000	-	-	-	-	490,000
Undesignated:						
General fund	860,559	-	-	-	-	860,559
Special revenue funds	-	1,334,688	-	-	434,264	1,768,952
Capital projects fund	<u>-</u>	<u>-</u>	<u>1,610,516</u>	<u>-</u>	<u>-</u>	<u>1,610,516</u>
Total fund balances	<u>\$ 1,433,927</u>	<u>\$ 1,334,688</u>	<u>\$ 1,610,516</u>	<u>\$ 262,868</u>	<u>\$ 434,264</u>	<u>\$ 5,076,263</u>
 Total liabilities and fund balances	 <u>\$ 3,526,659</u>	 <u>\$ 1,524,804</u>	 <u>\$ 1,619,798</u>	 <u>\$ 768,984</u>	 <u>\$ 436,401</u>	 <u>\$ 7,876,646</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2009

Total fund balances of governmental funds	\$ 5,076,263
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Receivables not available, defined as collectible within 60 days after year end, are not reported in the governmental funds.	50,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,421,057
Long-term liabilities, including bonds payable and early-retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(6,633,398)
Accrued interest payable on long-term debt is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	<u>(36,764)</u>
Net assets of governmental activities	<u>\$ 7,877,158</u>

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

## GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>Revenues:</b>						
Local sources:						
Local tax	\$ 1,654,303	\$ 178,630	\$ 438,831	\$ 476,705	\$ -	\$ 2,748,468
Tuition	548,654	-	-	-	-	548,654
Other	182,194	92,233	37,692	5,585	307,415	625,119
State sources	3,517,241	106	-	283	-	3,517,630
Federal sources	206,663	-	50,000	-	-	256,663
Total revenues	<u>\$ 6,109,055</u>	<u>\$ 270,969</u>	<u>\$ 526,523</u>	<u>\$ 482,573</u>	<u>\$ 307,415</u>	<u>\$ 7,696,535</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular instruction	\$ 2,846,374	\$ -	\$ -	\$ -	\$ 69,254	\$ 2,915,628
Special instruction	927,259	-	-	-	-	927,259
Other instruction	348,127	-	-	-	270,330	618,457
	<u>\$ 4,121,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,584</u>	<u>\$ 4,461,344</u>
Support services:						
Student services	\$ 173,231	\$ -	\$ -	\$ -	\$ -	\$ 173,231
Instructional staff services	63,732	-	-	-	-	63,732
Administration services	564,539	-	-	-	-	564,539
Operation and maintenance of plant services	427,109	-	-	-	27,627	454,736
Transportation services	277,738	-	-	-	4,898	282,636
	<u>\$ 1,506,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,525</u>	<u>\$ 1,538,874</u>
Other expenditures:						
Principal	\$ -	\$ -	\$ -	\$ 260,000	\$ -	\$ 260,000
Interest and other charges	-	-	-	268,116	-	268,116
Facilities acquisition	-	139,012	428,383	-	-	567,395
AEA flow through	242,296	-	-	-	-	242,296
	<u>\$ 242,296</u>	<u>\$ 139,012</u>	<u>\$ 428,383</u>	<u>\$ 528,116</u>	<u>\$ -</u>	<u>\$ 1,337,807</u>
Total expenditures	<u>\$ 5,870,405</u>	<u>\$ 139,012</u>	<u>\$ 428,383</u>	<u>\$ 528,116</u>	<u>\$ 372,109</u>	<u>\$ 7,338,025</u>
Excess (deficiency) of revenue over (under) expenditures	\$ 238,650	\$ 131,957	\$ 98,140	\$ (45,543)	\$ (64,694)	\$ 358,510
Other financing sources (uses):						
Proceeds from sale of capital assets	\$ 12,816	\$ 200,391	\$ -	\$ -	\$ -	\$ 213,207
Operating transfers in	-	-	-	145,421	-	145,421
Operating transfers out	-	-	(145,421)	-	-	(145,421)
Total other financing sources (uses)	<u>\$ 12,816</u>	<u>\$ 200,391</u>	<u>\$ (145,421)</u>	<u>\$ 145,421</u>	<u>\$ -</u>	<u>\$ 213,207</u>
Net change in fund balances	\$ 251,466	\$ 332,348	\$ (47,281)	\$ 99,878	\$ (64,694)	\$ 571,717
Fund balances beginning of year	<u>1,182,461</u>	<u>1,002,340</u>	<u>1,657,797</u>	<u>162,990</u>	<u>498,958</u>	<u>4,504,546</u>
Fund balances end of year	<u>\$ 1,433,927</u>	<u>\$ 1,334,688</u>	<u>\$ 1,610,516</u>	<u>\$ 262,868</u>	<u>\$ 434,264</u>	<u>\$ 5,076,263</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ 571,717

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are capitalized in the Statement of Net Assets and are expensed over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 484,447	
Depreciation expense	<u>(413,918)</u>	70,529

Governmental funds do not recognize revenues that are not available, defined as collectible within 60 days after year end. However, the Statement of Activities recognizes revenues as soon as they are earned. 50,000

Governmental funds report the proceeds from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the net cost of the asset sold. (165,798)

Governmental funds report repayment of bond principal as an expenditure, in contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This amount represents principal payments on general obligation bonds. 260,000

Early retirement expenses reported in the Statement of Activities are measured by the amount incurred during the year. However, in the governmental funds, early retirement expenditures are measured by the amount actually paid. (62,885)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. 1,496

Change in net assets of governmental activities \$ 725,059

ROCK VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2009

	<u>School Nutrition</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 93,112
Accounts receivable	431
Inventories	9,952
Capital assets, net of accumulated depreciation	<u>44,235</u>
 Total assets	 <u>\$ 147,730</u>
<b>LIABILITIES:</b>	
Due to other funds	\$ 14,245
Deferred revenue	<u>5,368</u>
Total liabilities	<u>\$ 19,613</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	\$ 44,235
Unrestricted	<u>83,882</u>
Total net assets	<u>\$ 128,117</u>
 Total liabilities and net assets	 <u>\$ 147,730</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>158,579</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 98,219
Benefits	27,675
Supplies	173,844
Other	14,916
Depreciation	<u>6,217</u>
Total operating expenses	\$ <u>320,871</u>
Operating loss	\$ <u>(162,292)</u>
Non-operating revenues:	
Interest income	\$ 3,144
State sources	5,204
Federal sources	108,524
Food distribution	<u>20,476</u>
Total non-operating revenues	\$ <u>137,348</u>
Change in net assets	\$ (24,944)
Net assets beginning of year	<u>153,061</u>
Net assets end of year	<u>\$ 128,117</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDYEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 157,291
Cash paid to employees for services	(125,894)
Cash paid to suppliers for goods or services	<u>(160,570)</u>
Net cash used by operating activities	<u>\$ (129,173)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 5,204
Federal grants received	<u>108,524</u>
Net cash provided by non-capital financing activities	<u>\$ 113,728</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ (15,576)</u>
Net cash used by capital and related financing activities	<u>\$ (15,576)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 3,144</u>
Net change in cash and cash equivalents	\$ (27,877)
Cash and cash equivalents beginning of year	<u>120,989</u>
Cash and cash equivalents end of year	<u>\$ 93,112</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (162,292)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	20,476
Depreciation	6,217
Increase in accounts receivable	(337)
Decrease in inventories	1,090
Increase in due to other funds	6,943
Decrease in deferred revenues	<u>(1,270)</u>
Net cash used by operating activities	<u>\$ (129,173)</u>

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

During the year ended June 30, 2009, the District received \$20,476 of federal commodities.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

B. Basis of Presentation

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets plus unspent bond proceeds.

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

Unrestricted Net Assets - Consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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

The District reports the following major proprietary fund:

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

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

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

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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

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

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 and estimated useful lives in excess of two years.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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

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

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Subsequent Events - The District evaluated for subsequent events through February 26, 2010, the date which the District's financial statements were available to be issued.

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 other expenditures functional area exceeded the amount budgeted.

NOTE 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 ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had cash and investments as follows:

Cash	\$ 1,641,399
Certificates of Deposit	<u>3,600,000</u>
	<u>\$ 5,241,399</u>

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Nutrition Fund	<u>\$ 14,245</u>

The due from and due to other funds balance at June 30, 2009 is the result of the General Fund paying/accruing certain expenses on behalf of the School Nutrition Fund.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS:

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 67,853	\$ -	\$ 25,851	\$ 42,002
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 67,853</u>	<u>\$ -</u>	<u>\$ 25,851</u>	<u>\$ 42,002</u>
Capital assets being depreciated:				
Land improvements	\$ 629,340	\$ 150,647	\$ 152,047	\$ 627,940
Buildings and improvements	11,033,416	176,583	1,302,953	9,907,046
Vehicles	495,681	89,945	46,130	539,496
Machinery and equipment	<u>1,410,974</u>	<u>67,272</u>	<u>622,905</u>	<u>855,341</u>
Total capital assets being depreciated	<u>\$ 13,569,411</u>	<u>\$ 484,447</u>	<u>\$ 2,124,035</u>	<u>\$ 11,929,823</u>
Less accumulated depreciation for:				
Land improvements	\$ 269,276	\$ 26,563	\$ 123,348	\$ 172,491
Buildings and improvements	2,571,727	298,611	1,244,382	1,625,956
Vehicles	223,818	26,519	46,130	204,207
Machinery and equipment	<u>1,056,117</u>	<u>62,225</u>	<u>570,228</u>	<u>548,114</u>
Total accumulated depreciation	<u>\$ 4,120,938</u>	<u>\$ 413,918</u>	<u>\$ 1,984,088</u>	<u>\$ 2,550,768</u>
Total capital assets being depreciated, net	<u>\$ 9,448,473</u>	<u>\$ 70,529</u>	<u>\$ 139,947</u>	<u>\$ 9,379,055</u>
Governmental activities capital assets, net	<u>\$ 9,516,326</u>	<u>\$ 70,529</u>	<u>\$ 165,798</u>	<u>\$ 9,421,057</u>
Business type activities:				
Machinery and equipment	\$ 69,645	\$ 15,575	\$ -	\$ 85,220
Less accumulated depreciation	<u>34,768</u>	<u>6,217</u>	<u>-</u>	<u>40,985</u>
Business type activities capital assets, net	<u>\$ 34,877</u>	<u>\$ 9,358</u>	<u>\$ -</u>	<u>\$ 44,235</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 201,131
Special	63,966
Other	42,664

Support services:

Student	11,950
Instructional staff	4,396
Administration	38,944
Operation and maintenance of plant	31,369
Transportation	<u>19,498</u>

Total depreciation expense - governmental activities	<u>\$ 413,918</u>
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Business type activities:

Food service operations	<u>\$ 6,217</u>
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NOTE 5 - LONG-TERM LIABILITIES:

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

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 6,650,000	\$ -	\$ 260,000	\$ 6,390,000	\$ 275,000
Early retirement	<u>180,513</u>	<u>104,812</u>	<u>41,927</u>	<u>243,398</u>	<u>64,849</u>
Total	<u>\$ 6,830,513</u>	<u>\$ 104,812</u>	<u>\$ 301,927</u>	<u>\$ 6,633,398</u>	<u>\$ 339,849</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. Early retirement benefits consist of health insurance premiums until age 65 although the retiree is responsible for any premium increases. Early retirement benefits paid during the year ended June 30, 2009 totaled \$41,927. At June 30, 2009, the District had obligations to thirteen participants with a total liability of \$243,398 through August 2014. The total liability for early retirement is recorded in the government-wide financial statements, and is calculated assuming a 5 percent discount rate.

General Obligation Bonds Payable - Details of the District's June 30, 2009 general obligation bond indebtedness are as follows:

<u>Year Ending</u> <u>June30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	3.50%	\$ 275,000	\$ 258,616	\$ 533,616
2011	4.00%	290,000	247,616	537,616
2012	4.00%	300,000	236,016	536,016
2013	4.00%	315,000	224,016	539,016
2014	4.00%	330,000	211,416	541,416
Thereafter	4.00-4.20%	<u>4,880,000</u>	<u>1,291,482</u>	<u>6,171,482</u>
		<u>\$ 6,390,000</u>	<u>\$ 2,469,162</u>	<u>\$ 8,859,162</u>

NOTE 6- PENSION AND RETIREMENT BENEFITS:

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

Plan members are required to contribute 4.10 percent of their annual covered salary and the District is required to contribute 6.35 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$226,213, \$189,721, and \$167,196, respectively, equal to the required contributions for each year.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 7 - INTERFUND TRANSFERS:

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

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

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

NOTE 8 - RISK MANAGEMENT:

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

NOTE 9 - 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 \$242,296 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.

NOTE 10 - CONSTRUCTION COMMITMENTS:

As of June 30, 2009, the District had entered into a construction contract with \$45,765 remaining to be paid upon completion of the work for new hallway terrazzo flooring.

**REQUIRED SUPPLEMENTARY INFORMATION**

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental Funds	Proprietary Fund	Total
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
Revenues:			
Local sources	\$ 3,922,242	\$ 161,723	\$ 4,083,965
State sources	3,517,630	5,204	3,522,834
Federal sources	<u>256,663</u>	<u>108,524</u>	<u>365,187</u>
Total revenues	<u>\$ 7,696,535</u>	<u>\$ 275,451</u>	<u>\$ 7,971,986</u>
Expenditures/expenses:			
Instruction	\$ 4,461,344	\$ -	\$ 4,461,344
Support services	1,538,874	-	1,538,874
Non-instructional programs	-	300,395	300,395
Other expenditures	<u>1,337,807</u>	<u>-</u>	<u>1,337,807</u>
Total expenditures/expenses	<u>\$ 7,338,025</u>	<u>\$ 300,395</u>	<u>\$ 7,638,420</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 358,510	\$ (24,944)	\$ 333,566
Other financing sources, net	<u>213,207</u>	<u>-</u>	<u>213,207</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	\$ 571,717	\$ (24,944)	\$ 546,773
Balances beginning of year	<u>4,504,546</u>	<u>153,061</u>	<u>4,657,607</u>
Balances end of year	<u>\$ 5,076,263</u>	<u>\$ 128,117</u>	<u>\$ 5,204,380</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Actual
		<u>Variance</u>
\$ 3,741,053	\$ 3,741,053	\$ 342,912
3,498,558	3,498,558	24,276
<u>355,000</u>	<u>355,000</u>	<u>10,187</u>
<u>\$ 7,594,611</u>	<u>\$ 7,594,611</u>	<u>\$ 377,375</u>
\$ 4,556,464	\$ 4,556,464	\$ 95,120
2,342,000	2,342,000	803,126
350,000	350,000	49,605
<u>1,313,732</u>	<u>1,313,732</u>	<u>(24,075)</u>
<u>\$ 8,562,196</u>	<u>\$ 8,562,196</u>	<u>\$ 923,776</u>
\$ (967,585)	\$ (967,585)	\$ (1,301,151)
<u>-</u>	<u>-</u>	<u>213,207</u>
<u>\$ (967,585)</u>	<u>\$ (967,585)</u>	<u>\$ 1,514,358</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2009

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

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

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

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

## **OTHER SUPPLEMENTARY INFORMATION**

ROCK VALLEY COMMUNITY SCHOOL DISTRICTCOMBINING BALANCE SHEET - NONMAJOR FUNDSJUNE 30, 2009ASSETS

	<u>Student Activity</u>	<u>Management Levy</u>	<u>Total</u>
Cash and pooled investments	\$ 152,637	\$ 267,467	\$ 420,104
Receivables:			
Accounts	4,559	813	5,372
Inventory	<u>10,925</u>	<u>-</u>	<u>10,925</u>
 Total assets	 <u>\$ 168,121</u>	 <u>\$ 268,280</u>	 <u>\$ 436,401</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable	\$ 2,137	\$ -	\$ 2,137
Total liabilities	\$ 2,137	\$ -	\$ 2,137
 Fund equity:			
Unreserved fund balances	<u>165,984</u>	<u>268,280</u>	<u>434,264</u>
 Total liabilities and fund equity	 <u>\$ 168,121</u>	 <u>\$ 268,280</u>	 <u>\$ 436,401</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR FUNDS

YEAR ENDED JUNE 30, 2009

	<u>Student Activity</u>	<u>Management Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Other	\$ 291,933	\$ 15,482	\$ 307,415
Total revenues	<u>\$ 291,933</u>	<u>\$ 15,482</u>	<u>\$ 307,415</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ -	\$ 69,254	\$ 69,254
Other instruction	<u>270,330</u>	<u>-</u>	<u>270,330</u>
	<u>\$ 270,330</u>	<u>\$ 69,254</u>	<u>\$ 339,584</u>
Support services:			
Operation and maintenance of plant services	\$ -	\$ 27,627	\$ 27,627
Transportation services	<u>-</u>	<u>4,898</u>	<u>4,898</u>
	<u>\$ -</u>	<u>\$ 32,525</u>	<u>\$ 32,525</u>
Total expenditures	<u>\$ 270,330</u>	<u>\$ 101,779</u>	<u>\$ 372,109</u>
Net change in fund balance	\$ 21,603	\$ (86,297)	\$ (64,694)
Fund balances beginning of year	<u>144,381</u>	<u>354,577</u>	<u>498,958</u>
Fund balances end of year	<u>\$ 165,984</u>	<u>\$ 268,280</u>	<u>\$ 434,264</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2009

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Agriculture resale	\$ 214	\$ -	\$ -	\$ -	214
Art resale	2,894	41	-	-	2,935
Band resale	21	2,516	3,403	-	(866)
TSA resale	4,673	991	1,689	28	4,003
Spirit Club resale	1,453	50,287	31,299	-	20,441
Basketball	4,383	20,658	17,981	(1,822)	5,238
Football	-	10,780	17,130	6,410	60
Baseball	18	89	3,980	5,489	1,616
Golf	-	255	676	421	-
Wrestling	-	5,799	7,041	1,242	-
Track	-	283	254	-	29
Junior high boys athletics	-	110	2,177	2,067	-
Junior high girls athletics	-	-	2,231	2,231	-
High school girls basketball	4,621	5,888	3,113	(2,381)	5,015
High school girls volleyball	-	5,230	4,034	(1,196)	-
High school girls track	1,323	-	-	-	1,323
Tournaments	3,748	45,434	38,070	(676)	10,436
Annual 2008	10,467	375	7,195	(3,647)	-
Annual 2009	-	11,953	10,854	3,897	4,996
Instrument rent/repair	(442)	1,984	2,286	324	(420)
Band and vocal	(79)	5,406	8,595	3,336	68
Club reserve	15,142	-	194	2,921	17,869
Class of 2009	4,524	143	1,746	(2,921)	-
Class of 2010	6,431	2,343	3,369	479	5,884
Class of 2011	4,816	5,048	1,676	-	8,188
Class of 2012	2,625	311	-	761	3,697
Class of 2013	974	666	348	1,259	2,551
Class of 2014	(68)	472	230	1,247	1,421
Class of 2015	-	250	-	-	250
Cheerleaders	636	1,352	2,226	352	114
FFA	3,771	41,948	37,493	711	8,937
FHA	837	107	67	-	877
Pep club	395	-	-	-	395
Student council	2,406	11,361	12,395	(288)	1,084
TSA program	2,040	2,808	4,170	(382)	296
FCA	262	83	140	-	205
Library club	587	-	-	-	587
Elementary activity	2,554	10,214	9,751	-	3,017
Spanish club	1,124	11,007	11,986	-	145
Spirit club	12,140	2,595	11,035	-	3,700
Interest	23,091	3,411	-	(3,336)	23,166
Adult activity tickets	-	7,782	-	(7,782)	-
Magazine sale	-	9,249	5,503	(3,746)	-
Student pictures	18,991	785	41	(636)	19,099
Miscellaneous insurance - student	-	1,329	1,329	-	-
Activity tickets	-	4,699	-	(4,699)	-
Drama and speech	-	1,856	3,900	2,044	-
FFA test plot	7,809	4,035	723	(1,707)	9,414
Total	\$ 144,381	\$ 291,933	\$ 270,330	\$ -	\$ 165,984

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

## ALL GOVERNMENTAL FUNDS

FOR THE LAST SIX YEARS ENDED JUNE 30.

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,748,469	\$ 2,520,028	\$ 2,490,485	\$ 1,954,019	\$ 1,995,560	\$ 1,906,606
Tuition	548,654	544,643	563,893	548,739	474,848	421,841
Other	625,119	711,229	734,322	675,227	383,855	338,205
State sources	3,567,630	2,887,207	2,952,460	2,379,024	2,177,666	1,904,478
Federal sources	206,663	230,067	239,845	225,874	224,333	178,225
Total	<u>\$ 7,696,535</u>	<u>\$ 6,893,174</u>	<u>\$ 6,981,005</u>	<u>\$ 5,782,883</u>	<u>\$ 5,256,262</u>	<u>\$ 4,749,355</u>
Expenditures:						
Instruction:						
Regular instruction	\$ 2,915,628	\$ 2,798,602	\$ 2,433,989	\$ 2,247,721	\$ 2,238,603	\$ 2,228,859
Special instruction	927,259	737,590	595,827	594,036	517,314	429,209
Other instruction	618,457	631,076	578,173	490,871	574,282	521,679
Support services:						
Student services	173,231	204,860	226,839	213,440	109,853	103,858
Instructional staff services	63,732	34,408	74,956	75,214	75,229	76,629
Administration services	564,539	542,598	500,035	476,282	453,033	439,470
Operation and maintenance						
of plant services	454,736	413,003	389,182	406,119	492,963	421,840
Transportation services	282,636	239,929	269,035	175,457	198,364	218,845
Other expenditures:						
Facilities acquisition	567,395	1,195,366	5,596,647	1,061,389	118,224	1,505
Long-term debt:						
Principal	260,000	250,000	50,000	-	-	13,507
Interest and other charges	268,116	276,866	440,711	-	-	907
AEA flow through	242,296	213,002	196,955	187,873	178,464	176,940
Total	<u>\$ 7,338,025</u>	<u>\$ 7,537,300</u>	<u>\$ 11,352,349</u>	<u>\$ 5,928,402</u>	<u>\$ 4,956,329</u>	<u>\$ 4,633,248</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Rock Valley Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rock Valley Community School District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

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



To the Board of Education  
Rock Valley Community School District

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

#### COMPLIANCE AND OTHER MATTERS

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

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

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

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

Sioux City, Iowa  
February 26, 2010

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties of the general, special revenue and debt service funds. In addition, the Board Secretary has primary responsibility for the enterprise fund.

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

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

Conclusion - Response accepted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

(CONTINUED)

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

I-B-09 Preparation of Financial Statements in Accordance with GAAP - The financial statements are the responsibility of the District's management. That responsibility is satisfied by either (a) management preparing the financial statements in accordance with GAAP or (b) management demonstrating the necessary GAAP expertise when reviewing and approving financial statements (that the auditor has assisted in drafting) and the various schedules and calculations used to prepare such financial statements. Management does review draft financial statements prior to issuance but does not fully possess a knowledge of the District's GAAP financial reporting process.

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

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

Conclusion - Response accepted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting

- II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009 exceeded the certified budget amounts in the other expenditures functions.  
Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.  
Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.  
Conclusion - Response accepted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-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 - We noted no business transactions between the District and District officials or employees that would appear to constitute a conflict of interest.
- 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 had not been approved by the Board.
- II-G-09 Certified Enrollment - We noted a variance of 3 special education students in the basic enrollment data certified to the Department of Education.  
Recommendation - The District should contact the Iowa Department of Education regarding corrective action required.  
Response - As recommended, we will contact the Iowa Department of Education to determine the corrective action required.  
Conclusion - Response accepted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

(CONTINUED)

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

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

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

II-I-09     Categorical Funding - No noted instances of categorical funding being used to supplant rather than supplement other funds in accordance with Chapter 256D.2 of the Code of Iowa and Iowa Department of Education administrative rules.

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 service tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			438,831
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	150,647	
Equipment		142,763	
Debt service for school infrastructure:			
General obligation debt		<u>145,421</u>	<u>438,831</u>
Ending balance			<u>\$ -</u>

II-L-09     Deficit Balance - Two student activity accounts had deficit balances at June 30, 2009.

Recommendation - The District should investigate alternatives to eliminate these deficits in order to return these accounts to sound financial condition.

Response - The District is investigating alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.