

RIVER VALLEY COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
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 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H 22
Statement of Cash Flows	I 23
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 24
Statement of Changes in Fiduciary Net Assets	K 25
Notes to Financial Statements	26-36
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	38
Notes to Required Supplementary Information - Budgetary Reporting	39
Schedule of Funding Progress for the Retiree Health Plan	40
	<u>Schedule</u>
Other Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 43
Nonmajor Enterprise Funds:	
Combining Schedule of Net Assets	3 44
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4 45
Combining Schedule of Cash Flows	5 46
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6 47
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7 48
Schedule of Expenditures of Federal Awards	8 49
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>	50-51
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in accordance with OMB Circular A-133	52-53
Schedule of Findings and Questioned Costs	54-62

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District, Correctionville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2011, on our consideration of River Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise River Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

River Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,045,537 in fiscal 2009 to \$4,134,285 in fiscal 2010, while General Fund expenditures increased from \$4,170,946 in fiscal 2009 to \$4,391,817 in fiscal 2010. The District's General Fund balance decreased from \$962,579 in fiscal 2009 to \$749,988 in fiscal 2010, a 22% decrease.
- General Fund revenues increased in total despite a 4% allowable growth approval with funding from the state at 2%. The fiscal year 2010 increase in General Fund revenues were attributable to increases in property tax and charges for services (tuition). The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2010.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	%
Current and other assets	4,435,762	4,128,977	33,160	59,755	4,468,922	4,188,732	-6
Capital assets	6,314,990	6,780,315	36,642	29,704	6,351,632	6,810,019	7
Total assets	10,750,752	10,909,292	69,802	89,459	10,820,554	10,998,751	2
Long-term liabilities	3,540,235	3,265,109		464	3,540,235	3,265,573	-8
Other liabilities	2,596,794	2,659,497	8,293	9,426	2,605,087	2,668,923	2
Total liabilities	6,137,029	5,924,606	8,293	9,890	6,145,322	5,934,496	-3
Net Assets:							
Invested in capital assets, net of related debt	2,804,990	3,600,315	36,642	29,704	2,841,632	3,630,019	27
Restricted	686,932	556,087			686,932	556,087	-19
Unrestricted	1,121,801	828,284	24,867	49,865	1,146,668	878,149	-23
TOTAL NET ASSETS	4,613,723	4,984,686	61,509	79,569	4,675,232	5,064,255	8

The District's combined total net assets increased by nearly 8%, or approximately \$389,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$130,845 or 2% over the prior year. The decrease was primarily a result of increased expenditures in the Sales Tax Capital Project Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$269,000, or 23%.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	321,420	413,359	172,940	167,460	494,360	580,819	17
Operating grants & contributions	713,071	948,133	118,438	135,765	831,509	1,083,898	30
Capital grants & contributions	-	52,262	-	-	-	52,262	100
General Revenues:							
Property taxes	1,858,902	1,929,612			1,858,902	1,929,612	4
Income Surtax	244,549	268,440			244,549	268,440	10
Local option sales tax	326,199	351,618			326,199	351,618	8
Unrestricted state grants	1,632,069	1,350,983			1,632,069	1,350,983	-17
Unrestricted investment earnings	23,084	6,327	71	125	23,155	6,452	-72
Other revenue	26,438	60,153			26,438	60,153	127
Total Revenues	5,145,732	5,380,887	291,449	303,350	5,437,181	5,684,237	5
Expenses:							
Instruction	2,886,023	3,015,769			2,886,023	3,015,769	4
Support services	1,409,005	1,433,542			1,409,005	1,433,542	2
Non-instructional programs	-	6,391	283,189	285,290	283,189	291,681	3
Other expenditures	492,216	554,222			492,216	554,222	13
Total expenses	4,787,244	5,009,924	283,189	285,290	5,070,433	5,295,214	5
CHANGE IN NET ASSETS	358,488	370,963	8,260	18,060	366,748	389,023	6
Net assets beginning of year	4,255,235	4,613,723	53,249	61,509	4,308,484	4,675,232	9
Net assets end of year	4,613,723	4,984,686	61,509	79,569	4,675,232	5,064,255	8

In fiscal year 2010 property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 4.5% increase in revenues and a 4.6% increase in expenses. General revenues increased \$230,456 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,380,887 and expenses were \$5,009,924. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2009	2010	Percent Change 2009-2010	2009	2010	Percent Change 2009-2010
	\$	\$	%	\$	\$	%
Instruction	2,886,023	3,015,769	4.5	2,013,653	1,838,308	-8.7
Support Services	1,409,005	1,433,542	1.7	1,408,451	1,433,079	1.7
Non-instructional Programs		6,391			6,391	
Other Expenses	492,216	554,222	12.6	330,649	318,392	-3.7
TOTAL	4,787,244	5,009,924	4.6	3,752,753	3,596,170	-4.2

For the year ended June 30, 2010

- The cost financed by users of the District's programs was \$413,359. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,000,395.
- The net cost of governmental activities was financed with \$2,496,670 in property and local other taxes and \$1,350,983 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$303,350 and expenses were \$285,290. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service and operating grants and contributions.

During the year ended June 30, 2010, the District received increased meal reimbursement for lunch and breakfast from the federal government along with increase in commodities converted to cash value.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,220,305, a decrease of \$435,637 from last years fund balance.

The District did see expenditures up in instruction costs by \$162,477 but the majority of the decrease was due to the construction costs relating to the completion of the high school building/remodeling project.

Governmental Fund Highlights

- The District's reduction in General Fund balance of \$212,591 is simply the result of increased expenditures for year end 2010. Although revenues increased by \$88,748 from previous year, expenditures rose by \$220,871 primarily due to instructional costs. Instructional cost would include negotiated salaries and benefits.
- The Capital Projects Fund showed a decrease in fund balance of \$272,255. This decrease is attributed to facility acquisition due to the continued construction costs related to the high school building/remodeling project.

Proprietary Fund Highlights

School Nutrition and Preschool Fund net assets increased from \$61,508 at June 30, 2009 to \$79,569 at June 30, 2010, representing an increase of approximately 29%. The District received an additional \$17,992 in additional federal resources to increase net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$101,457 less than budgeted receipts. The most significant variance resulted from the District receiving less in state sources 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 other expenditures area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$6.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 7.37% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$261,504.

The largest change in capital asset activity during the year occurred in the buildings category. The District's high schools construction/remodel project was moved from Construction in Progress Asset to Buildings Asset increasing Buildings by \$897,047. This increase was funded entirely by Local Option Sales and Service Tax (LOSST).

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2009-2010
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	%
Land	19,689	19,689	-	-	19,689	19,689	0%
Construction in progress	392,026	-	-	-	392,026	-	-100%
Buildings	5,244,380	6,141,427	-	-	5,244,380	6,141,427	17%
Improvements	337,861	311,658	-	-	337,861	311,658	-8%
Equipment & furniture	321,034	307,541	36,642	29,704	357,676	337,245	-6%
TOTAL	6,314,990	6,780,315	36,642	29,704	6,351,632	6,810,019	7%

Long-Term Debt

At June 30, 2010 the District had \$3,223,489 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	<u>Total School District</u>		<u>Percentage</u>
	<u>2009</u>	<u>2010</u>	<u>Change</u>
	\$	\$	%
General obligation bonds	3,510,000	3,180,000	9
Revenue bonds			
Capital loan notes			
Capital leases			
Early retirement	24,608	26,039	6
Compensated absences	5,627	4,161	-26
Net OPEB liability	-	13,289	-10
	<u>3,540,235</u>	<u>3,223,489</u>	<u>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 several existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment decreased by 14.9 students per the October 2010 certified enrollment. This represents a lost of \$86,077.00 in funding. This will have an adverse effect upon the 2011-2012 budget.
- The District received modified allowable growth in the amount of \$122,567 as a result of increased in open enrollment out students for the 2009-2010 school year. The District received the authority to increase their budget by this amount but there was no funding dollars received. This increased our spending authority but not our cash.
- Through the increase of revenues for fiscal year 2010 the District was able to fund increases in expenditures to some degree. The increase in expenditures was due primarily to negotiated salaries and benefits, instructional supplies/textbook purchases and substantial cost to the district due to long-term substitute pay.
- Completion of our high school building/remodeling project in the amount of \$1,054,349.00 was a tremendous accomplishment for the District. The project was funded with Local Sales and Service Tax (LOSST), a fire safety grant in the amount of \$25,000.00 and a Cops in School grant in the amount of \$27,000.00. At the onset of the project the intent by the Board of Education was to fund any shortfall to the project by a loan from the General Fund. As time progressed, thru timing of revenues and prudent decisions by the Board of Education the District was able to fund the project without placing a burden upon the General Fund.
- The District was able to fund \$39,309.00 worth of building improvements and the cost of damages relating to winter storms in 2010.

- The District was presented with \$20,226.00 in additional expenses for 2010 due to repair/replacement of water heaters throughout the district.
- The District was able to replace outdated textbooks and purchase new textbooks due to changing of course offerings in the amount of \$32,513.00
- Fiscal 2011 will see the District faced with creative ways to continue providing the students of our District with a premier education. Many areas will be evaluated with the District needing to reduce staff, look at sharing options with neighboring districts to fill staffing needs and continuing efforts to keep expenditures within budget limits with assistance of the line-item budget procedure.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,642,091	42,027	1,684,118
Receivables:			
Property tax:			
Delinquent	30,386	-	30,386
Succeeding year	2,074,975	-	2,074,975
Accounts	4,384	15,302	19,686
Internal balances	335	(335)	-
Due from other governments	332,746	-	332,746
Inventories	-	2,761	2,761
Unamortized bond issue costs	44,060	-	44,060
Capital assets, net of accumulated depreciation	6,780,315	29,704	6,810,019
Total assets	10,909,292	89,459	10,998,751
Liabilities			
Accounts payable	129,092	-	129,092
Salaries and benefits payable	372,899	6,986	379,885
Accrued interest payable	10,600	-	10,600
Deferred revenue:			
Succeeding year property tax	2,074,975	-	2,074,975
Other	71,931	2,440	74,371
Long-term liabilities:			
Unamortized bond premium	42,084	-	42,084
Portion due within one year:			
General obligation bonds payable	345,000	-	345,000
Termination benefits	26,039	-	26,039
Compensated absences	4,161	-	4,161
Portion due after one year:			
General obligation bonds payable	2,835,000	-	2,835,000
Net OPEB liability	12,825	464	13,289
Total liabilities	5,924,606	9,890	5,934,496
Net assets			
Invested in capital assets, net of related debt	3,600,315	29,704	3,630,019
Restricted for:			
Categorical funding	122,409	-	122,409
Management levy	245,421	-	245,421
Physical plant and equipment levy	54,998	-	54,998
Other special revenue purposes	69,617	-	69,617
Sales tax capital projects	60,766	-	60,766
Debt service	2,876	-	2,876
Unrestricted	828,284	49,865	878,149
Total net assets	4,984,686	79,569	5,064,255

RIVER VALLY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,114,284	222,811	602,082	-
Special	423,835	62,768	55,892	-
Other	477,650	127,520	106,388	-
	<u>3,015,769</u>	<u>413,099</u>	<u>764,362</u>	<u>-</u>
Support services:				
Student	58,664	-	-	-
Instructional staff	133,934	-	-	-
Administration	529,997	-	-	-
Operation and maintenance of plant	465,943	260	-	-
Transportation	245,004	-	203	-
	<u>1,433,542</u>	<u>260</u>	<u>203</u>	<u>-</u>
Non-instructional programs	<u>6,391</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	53,870	-	-	52,262
Long-term debt interest	134,439	-	119	-
AEA flowthrough	183,449	-	183,449	-
Depreciation (unallocated)*	182,464	-	-	-
	<u>554,222</u>	<u>-</u>	<u>183,568</u>	<u>52,262</u>
Total governmental activities	<u>5,009,924</u>	<u>413,359</u>	<u>948,133</u>	<u>52,262</u>
Business type activities:				
Food service operations	229,831	112,815	135,765	-
Preschool	55,459	54,645	-	-
Total business-type activities	<u>285,290</u>	<u>167,460</u>	<u>135,765</u>	<u>-</u>
Total	<u>5,295,214</u>	<u>580,819</u>	<u>1,083,898</u>	<u>52,262</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,289,391)	-	(1,289,391)
(305,175)	-	(305,175)
(243,742)	-	(243,742)
<u>(1,838,308)</u>	<u>-</u>	<u>(1,838,308)</u>
(58,664)	-	(58,664)
(133,934)	-	(133,934)
(529,997)	-	(529,997)
(465,683)	-	(465,683)
(244,801)	-	(244,801)
<u>(1,433,079)</u>	<u>-</u>	<u>(1,433,079)</u>
<u>(6,391)</u>	<u>-</u>	<u>(6,391)</u>
(1,608)	-	(1,608)
(134,320)	-	(134,320)
-	-	-
(182,464)	-	(182,464)
<u>(318,392)</u>	<u>-</u>	<u>(318,392)</u>
<u>(3,596,170)</u>	<u>-</u>	<u>(3,596,170)</u>
-	18,749	18,749
-	(814)	(814)
<u>-</u>	<u>17,935</u>	<u>17,935</u>
<u>(3,596,170)</u>	<u>17,935</u>	<u>(3,578,235)</u>
1,410,509	-	1,410,509
469,696	-	469,696
49,407	-	49,407
268,440	-	268,440
351,618	-	351,618
1,350,983	-	1,350,983
6,327	125	6,452
60,153	-	60,153
<u>3,967,133</u>	<u>125</u>	<u>3,967,258</u>
370,963	18,060	389,023
<u>4,613,723</u>	<u>61,509</u>	<u>4,675,232</u>
<u>4,984,686</u>	<u>79,569</u>	<u>5,064,255</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,252,434	6,230	236	383,191	1,642,091
Receivables:					
Property tax:					
Delinquent	20,742	7,246	-	2,398	30,386
Succeeding year	1,526,216	447,600	-	101,159	2,074,975
Accounts	4,384	-	-	-	4,384
Interfund receivable	335	-	12,600	25,593	38,528
Due from other governments	266,217	-	66,529	-	332,746
	<u>3,070,328</u>	<u>461,076</u>	<u>79,365</u>	<u>512,341</u>	<u>4,123,110</u>
Total assets					
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	120,979	-	-	8,113	129,092
Salaries and benefits payable	372,899	-	-	-	372,899
Interfund payable	12,600	-	18,599	6,994	38,193
Deferred revenue:					
Succeeding year property tax	1,526,216	447,600	-	101,159	2,074,975
Income surtax	215,715	-	-	-	215,715
Other	71,931	-	-	-	71,931
Total liabilities	<u>2,320,340</u>	<u>447,600</u>	<u>18,599</u>	<u>116,266</u>	<u>2,902,805</u>
Fund balances:					
Reserved for:					
Categorical funding	122,409	-	-	-	122,409
Debt service	-	13,476	-	-	13,476
Unreserved reported in:					
General fund	627,579	-	-	-	627,579
Special revenue funds	-	-	-	396,075	396,075
Capital projects funds	-	-	60,766	-	60,766
Total fund balances	<u>749,988</u>	<u>13,476</u>	<u>60,766</u>	<u>396,075</u>	<u>1,220,305</u>
	<u>3,070,328</u>	<u>461,076</u>	<u>79,365</u>	<u>512,341</u>	<u>4,123,110</u>
Total liabilities and fund balances					

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	1,220,305
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,824,375
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	215,715
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,600)
Long-term liabilities, including bonds payable, bond premium, compensated absences, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,265,109)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,984,686</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,541,180	469,696	351,618	163,965	2,526,459
Tuition	254,721	-	-	-	254,721
Other	39,846	119	180	134,697	174,842
State sources	1,856,807	340	-	119	1,857,266
Federal sources	441,731	-	52,262	-	493,993
Total revenues	<u>4,134,285</u>	<u>470,155</u>	<u>404,060</u>	<u>298,781</u>	<u>5,307,281</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,092,646	-	-	15,633	2,108,279
Special	454,213	-	-	-	454,213
Other	361,444	-	-	114,970	476,414
	<u>2,908,303</u>	<u>-</u>	<u>-</u>	<u>130,603</u>	<u>3,038,906</u>
Support services:					
Student	58,355	-	-	-	58,355
Instructional staff	117,119	-	-	-	117,119
Administration	522,926	-	-	-	522,926
Operation and maintenance of plant	404,112	-	-	69,766	473,878
Transportation	197,553	-	-	8,784	206,337
	<u>1,300,065</u>	<u>-</u>	<u>-</u>	<u>78,550</u>	<u>1,378,615</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,391</u>	<u>6,391</u>
Other expenditures:					
Facilities acquisition	-	-	676,315	38,837	715,152
Long-term debt:					
Principal	-	330,000	-	-	330,000
Interest and fiscal charges	-	140,800	-	-	140,800
AEA flowthrough	183,449	-	-	-	183,449
	<u>183,449</u>	<u>470,800</u>	<u>676,315</u>	<u>38,837</u>	<u>1,369,401</u>
Total expenditures	<u>4,391,817</u>	<u>470,800</u>	<u>676,315</u>	<u>254,381</u>	<u>5,793,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(257,532)</u>	<u>(645)</u>	<u>(272,255)</u>	<u>44,400</u>	<u>(486,032)</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	44,568	-	-	4,390	48,958
Sales of equipment and real property	373	-	-	1,064	1,437
Total other financing sources (uses)	<u>44,941</u>	<u>-</u>	<u>-</u>	<u>5,454</u>	<u>50,395</u>
Net change in fund balances	(212,591)	(645)	(272,255)	49,854	(435,637)
Fund balances beginning of year	<u>962,579</u>	<u>14,121</u>	<u>333,021</u>	<u>346,221</u>	<u>1,655,942</u>
Fund balances end of year	<u><u>749,988</u></u>	<u><u>13,476</u></u>	<u><u>60,766</u></u>	<u><u>396,075</u></u>	<u><u>1,220,305</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(435,637)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	726,829	
Depreciation expense	<u>(261,504)</u>	465,325
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		23,211
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		330,000
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.		1,100
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(1,431)	
Compensated absences	1,466	
Amortized bond premium	5,261	
Bond issue costs amortized	(5,507)	
Other postemployment benefits	<u>(12,825)</u>	<u>(13,036)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>370,963</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	42,027
Accounts receivable	15,302
Inventories	2,761
Capital assets, net of accumulated depreciation	<u>29,704</u>
Total assets	<u>89,794</u>
Liabilities	
Interfund payable	335
Salaries and benefits payable	6,986
Deferred revenue	2,440
Net OPEB liability	<u>464</u>
Total liabilities	<u>10,225</u>
Net assets	
Invested in capital assets	29,704
Unrestricted	<u>49,865</u>
Total net assets	<u><u>79,569</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>167,460</u>
Operating expenses:	
Salaries	116,379
Benefits	23,669
Purchased services	3,887
Supplies	127,560
Depreciation	12,366
Other	1,429
Total operating expenses	<u>285,290</u>
Operating gain (loss)	<u>(117,830)</u>
Non-operating revenues:	
State sources	2,383
Federal sources	133,382
Interest income	125
Total non-operating revenues	<u>135,890</u>
Change in net assets	18,060
Net assets beginning of year	<u>61,509</u>
Net assets end of year	<u><u>79,569</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	113,468
Cash received from preschool services	39,455
Cash payments to employees for services	(139,067)
Cash payments to suppliers for goods or services	(115,562)
Net cash used by operating activities	<u>(101,706)</u>
Cash flows from non-capital financing activities:	
Interfund loan received (repaid)	(7,765)
State grants received	2,383
Federal grants received	115,518
Net cash provided by non-capital financing activities	<u>110,136</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(5,428)</u>
Cash flows from investing activities:	
Interest on investments	<u>125</u>
Net increase (decrease) in cash and cash equivalents	3,127
Cash and cash equivalents at beginning of year	<u>38,900</u>
Cash and cash equivalents at end of year	<u><u>42,027</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(117,830)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	17,864
Depreciation	12,366
Decrease (increase) in inventories	(550)
Decrease (increase) in accounts receivable	(15,153)
(Decrease) increase in salaries and benefits payable	517
(Decrease) increase in deferred revenue	616
(Decrease) increase in other postemployment benefits	464
Net cash used by operating activities	<u><u>(101,706)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$17,864 of federal commodities.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	163,793
Accrued interest receivable	<u>1,378</u>
Total assets	165,171
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>165,171</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	2,839
Deductions:	
Support services:	
Scholarships awarded	<u>1,653</u>
Change in net assets	1,186
Net assets beginning of year	<u>163,985</u>
Net assets end of year	<u><u>165,171</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,500
Improvements other than buildings	3,500
Intangibles	30,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	3-20 years
Furniture and equipment	5-20 years

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	\$
Diversified Portfolio	143

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

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Capital Projects Fund	General Fund	12,600
Nonmajor Governmental: Physical Plant and Equipment Levy Fund	Nonmajor Governmental: Management Fund	6,994
Nonmajor Governmental: Physical Plant and Equipment Levy Fund	Capital Projects Fund	18,599
General Fund	Nonmajor Enterprise: School Nutrition Fund	335

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

4. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	392,026	661,282	1,053,308	-
Land	19,689	-	-	19,689
Total capital assets not being depr.	<u>411,715</u>	<u>661,282</u>	<u>1,053,308</u>	<u>19,689</u>
Capital assets being depreciated:				
Buildings	6,637,369	1,053,308	-	7,690,677
Improvements other than buildings	524,056	-	-	524,056
Furniture and equipment	1,131,067	65,547	-	1,196,614
Total capital assets being deprec.	<u>8,292,492</u>	<u>1,118,855</u>	<u>-</u>	<u>9,411,347</u>

Less accumulated depreciation for:				
Buildings	1,392,989	156,261	-	1,549,250
Improvements other than buildings	186,195	26,203	-	212,398
Furniture and equipment	810,033	79,040	-	889,073
Total accumulated depreciation	<u>2,389,217</u>	<u>261,504</u>	<u>-</u>	<u>2,650,721</u>
Total capital assets being depreciated, net	<u>5,903,275</u>	<u>857,351</u>	<u>-</u>	<u>6,760,626</u>
Governmental activities capital assets, net	<u>6,314,990</u>	<u>1,518,633</u>	<u>1,053,308</u>	<u>6,780,315</u>

	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	198,910	5,428	-	204,338
Less accumulated depreciation	<u>162,268</u>	<u>12,366</u>	<u>-</u>	<u>174,634</u>
Business type activities capital assets, net	<u>36,642</u>	<u>(6,938)</u>	<u>-</u>	<u>29,704</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	10,033
Special	6,764
Support services:	
Instructional staff	16,197
Administration	1,176
Operation and maintenance of plant services	2,103
Transportation	<u>42,767</u>
	79,040
Unallocated depreciation	<u>182,464</u>
Total depreciation expense – governmental activities	<u>261,504</u>
Business type activities:	
Food service	<u>12,366</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance			Balance End	Due Within
	Beginning of	Additions	Reductions	of Year	One Year
	Year				
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	3,510,000	-	330,000	3,180,000	345,000
Termination benefits	24,608	25,060	23,629	26,039	26,039
Compensated absences	5,627	4,161	5,627	4,161	4,161
Net OPEB liability	<u>-</u>	<u>12,825</u>	<u>-</u>	<u>12,825</u>	<u>-</u>
Total	<u>3,540,235</u>	<u>42,046</u>	<u>359,256</u>	<u>3,223,025</u>	<u>375,200</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	464	-	464	-

Termination Benefits

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

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

At June 30, 2010, the District has obligations to three participants with a total liability of \$26,039. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$23,629.

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

2005 Crossover Refunding Bond Issue					
Year Ended June 30,	Interest Rates	Principal	Interest	Total	
		\$	\$	\$	
2011	4.0	345,000	127,200	472,200	
2012	4.0	355,000	113,400	468,400	
2013	4.0	375,000	99,200	474,200	
2014	4.0	385,000	84,200	469,200	
2015	4.0	405,000	68,800	473,800	
2016-2018	4.0	1,315,000	106,800	1,421,800	
Total		3,180,000	599,600	3,779,600	

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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$132,351, \$163,664 and \$157,547 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 78 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Seabury and Smith. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	16,386
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>16,386</u>
Contributions made	<u>3,097</u>
Increase in net OPEB obligation	13,289
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>13,289</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$3,097 to the medical plan. Plan members eligible for benefits contributed \$2,478, or 44% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u> \$
June 30, 2010	16,386	19%	13,289

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$119,273, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$119,273. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,480,000, and the ratio of the UAAL to covered payroll was 8.1%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized over 30 years.

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.

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 \$183,449 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Lease Commitment

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

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

11. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Market factor	3,817
Returning dropout and dropout prevention program	16,496
Teacher salary supplement	59,222
Home school assistance program	6,304
Educator quality, professional development	18,824
Core curriculum	15,629
Other	2,117
	<u>122,409</u>

REQUIRED SUPPLEMENTARY INFORMATION

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,956,022	167,585	3,123,607	2,965,230	2,965,230	158,377
State sources	1,857,266	2,383	1,859,649	2,511,858	2,511,858	(652,209)
Federal sources	493,993	133,382	627,375	235,000	235,000	392,375
Total revenues	<u>5,307,281</u>	<u>303,350</u>	<u>5,610,631</u>	<u>5,712,088</u>	<u>5,712,088</u>	<u>(101,457)</u>
Expenditures/Expenses:						
Instruction	3,038,906	55,459	3,094,365	3,275,000	3,275,000	180,635
Support services	1,378,615	-	1,378,615	2,222,000	2,222,000	843,385
Non-instructional programs	6,391	229,831	236,222	245,000	245,000	8,778
Other expenditures	1,369,401	-	1,369,401	1,338,366	1,338,366	(31,035)
Total expenditures/expenses	<u>5,793,313</u>	<u>285,290</u>	<u>6,078,603</u>	<u>7,080,366</u>	<u>7,080,366</u>	<u>1,001,763</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(486,032)	18,060	(467,972)	(1,368,278)	(1,368,278)	900,306
Other financing sources (uses) net	<u>50,395</u>	<u>-</u>	<u>50,395</u>	<u>-</u>	<u>-</u>	<u>50,395</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(435,637)	18,060	(417,577)	(1,368,278)	(1,368,278)	950,701
Balance beginning of year	<u>1,655,942</u>	<u>61,509</u>	<u>1,717,451</u>	<u>1,693,373</u>	<u>1,693,373</u>	<u>24,078</u>
Balance end of year	<u>1,220,305</u>	<u>79,569</u>	<u>1,299,874</u>	<u>325,095</u>	<u>325,095</u>	<u>974,779</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

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

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

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2009	July 1, 2008	-	119,273	119,273	0.0%	1,480,000	8.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Cash and pooled investments	276,828	74,116	32,247	383,191
Receivables:				
Property tax:				
Delinquent	1,626	-	772	2,398
Succeeding year	50,000	-	51,159	101,159
Interfund receivable	-	-	25,593	25,593
Total assets	328,454	74,116	109,771	512,341
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	4,499	3,614	8,113
Interfund payables	6,994	-	-	6,994
Deferred revenue:				
Succeeding year property tax	50,000	-	51,159	101,159
Total liabilities	56,994	4,499	54,773	116,266
Fund balances:				
Unreserved reported in:				
Special revenue funds	271,460	69,617	54,998	396,075
Total liabilities and fund balances	328,454	74,116	109,771	512,341

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Equipment		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	114,558	-	49,407	163,965
Other	9,231	125,341	125	134,697
State sources	83	-	36	119
Total revenues	<u>123,872</u>	<u>125,341</u>	<u>49,568</u>	<u>298,781</u>
Expenditures:				
Current:				
Instruction:				
Regular	15,633	-	-	15,633
Other	-	114,970	-	114,970
Support services:				
Operation and maintenance of plant	69,766	-	-	69,766
Transportation	8,784	-	-	8,784
Non-instructional programs	6,391	-	-	6,391
Other expenditures:				
Facilities acquisition	-	-	38,837	38,837
Total expenditures	<u>100,574</u>	<u>114,970</u>	<u>38,837</u>	<u>254,381</u>
Excess (deficiency) of revenues over (under) expenditures	23,298	10,371	10,731	44,400
Other financing sources (uses):				
Compensation for loss of fixed assets	-	-	4,390	4,390
Sales of real property	-	-	1,064	1,064
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,454</u>	<u>5,454</u>
Net change in fund balances	23,298	10,371	16,185	49,854
Fund balances beginning of year	<u>248,162</u>	<u>59,246</u>	<u>38,813</u>	<u>346,221</u>
Fund balances end of year	<u><u>271,460</u></u>	<u><u>69,617</u></u>	<u><u>54,998</u></u>	<u><u>396,075</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2010

	Enterprise Funds		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	23,179	18,848	42,027
Accounts receivable	112	15,190	15,302
Inventories	2,761	-	2,761
Capital assets, net of accumulated depreciation	29,704	-	29,704
Total assets	55,756	34,038	89,794
Liabilities			
Interfund payable	335	-	335
Salaries and benefits payable	-	6,986	6,986
Deferred revenue	2,440	-	2,440
Net OPEB liability	309	155	464
Total liabilities	3,084	7,141	10,225
Net assets			
Invested in capital assets	29,704	-	29,704
Unrestricted	22,968	26,897	49,865
Total net assets	52,672	26,897	79,569

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	112,815	54,645	167,460
Operating expenses:			
Salaries	71,748	44,631	116,379
Benefits	14,745	8,924	23,669
Purchased services	1,983	-	1,983
Supplies	127,560	1,904	129,464
Depreciation	12,366	-	12,366
Other	1,429	-	1,429
Total operating expenses	229,831	55,459	285,290
Operating gain (loss)	(117,016)	(814)	(117,830)
Non-operating revenues:			
State sources	2,383	-	2,383
Federal sources	133,382	-	133,382
Interest income	125	-	125
Total non-operating revenues	135,890	-	135,890
Change in net assets	18,874	(814)	18,060
Net assets beginning of year	33,798	27,711	61,509
Net assets end of year	52,672	26,897	79,569

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Enterprise Funds		
	School		Total
	Nutrition	Preschool	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	113,468	-	113,468
Cash received from preschool services	-	39,455	39,455
Cash payments to employees for services	(86,184)	(52,883)	(139,067)
Cash payments to suppliers for goods or services	(113,658)	(1,904)	(115,562)
Net cash provided by (used by) operating activities	<u>(86,374)</u>	<u>(15,332)</u>	<u>(101,706)</u>
Cash flows from non-capital financing activities:			
Interfund loan received (repaid)	(7,765)	-	(7,765)
State grants received	2,383	-	2,383
Federal grants received	115,518	-	115,518
Net cash provided by non-capital financing activities	<u>110,136</u>	<u>-</u>	<u>110,136</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(5,428)</u>	<u>-</u>	<u>(5,428)</u>
Cash flows from investing activities:			
Interest on investments	<u>125</u>	<u>-</u>	<u>125</u>
Net increase (decrease) in cash and cash equivalents	18,459	(15,332)	3,127
Cash and cash equivalents at beginning of year	<u>4,720</u>	<u>34,180</u>	<u>38,900</u>
Cash and cash equivalents at end of year	<u><u>23,179</u></u>	<u><u>18,848</u></u>	<u><u>42,027</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(117,016)	(814)	(117,830)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	17,864	-	17,864
Depreciation	12,366	-	12,366
Decrease (increase) in inventories	(550)	-	(550)
Decrease (increase) in accounts receivable	37	(15,190)	(15,153)
(Decrease) increase in salaries and benefits payable	-	517	517
(Decrease) increase in deferred revenue	616	-	616
(Decrease) increase in other postemployment benefits	309	155	464
Net cash provided by (used by) operating activities	<u><u>(86,374)</u></u>	<u><u>(15,332)</u></u>	<u><u>(101,706)</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Interest	1,022	493	-	-	1,515
Cheerleaders	525	920	619	-	826
MS the loft	142	-	-	-	142
MS renaissance	737	-	-	-	737
MS student council	4,344	4,613	2,738	(2,395)	3,824
MS athletic fundraiser	-	-	2,395	2,395	-
Yearbook	-	10,450	7,893	-	2,557
HS play	1,401	2,412	1,629	-	2,184
HS athletics	15,467	42,269	40,552	168	17,352
District football	432	-	432	-	-
Speech and drama club	2,589	1,674	2,571	-	1,692
Chess club	100	-	-	-	100
Drill team	961	4,475	2,581	-	2,855
Wolverine's den	258	-	-	-	258
HS renaissance	578	1,593	1,607	(168)	396
FFA	144	-	-	-	144
FCLLA	1,237	1,350	1,179	-	1,408
European trip (music fundraiser)	-	1,169	-	-	1,169
Art club	484	771	346	-	909
Spanish club	1,224	831	1,306	-	749
Quiz bowl club	95	-	-	-	95
Industrial arts club	176	-	-	-	176
Physics club	2	1,860	1,860	-	2
Scholarship banquet fund	464	-	235	-	229
Class of 2008	2,433	-	-	-	2,433
Class of 2007	113	-	-	-	113
Class of 2009	1,598	-	-	-	1,598
Class of 2010	338	236	923	2,673	2,324
Class of 2011	2,844	7,025	5,300	(2,673)	1,896
Class of 2012	-	50	-	-	50
National honor society	432	54	297	-	189
Elementary student council	11,870	26,007	23,676	-	14,201
Activity library bookfair	2,359	2,870	-	(5,228)	1
Bookfair #2	-	3,479	6,090	5,228	2,617
HS student council	1,178	1,991	1,573	-	1,596
HS concessions	3,699	8,749	9,168	-	3,280
Total	59,246	125,341	114,970	-	69,617

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	2,526,459	2,417,583	2,265,958	2,278,570	2,227,034	2,230,236	2,387,053
Tuition	254,721	177,722	223,539	301,341	246,451	238,173	244,964
Other	174,842	179,499	354,908	427,305	278,939	206,636	174,671
State sources	1,857,266	2,184,403	2,232,509	2,192,651	2,132,425	2,001,669	1,802,142
Federal sources	493,993	160,488	176,490	196,345	302,767	259,519	276,718
Total revenues	<u>5,307,281</u>	<u>5,119,695</u>	<u>5,253,404</u>	<u>5,396,212</u>	<u>5,187,616</u>	<u>4,936,233</u>	<u>4,885,548</u>
Expenditures:							
Instruction:							
Regular instruction	2,108,279	2,037,216	1,944,412	1,920,175	1,769,689	1,846,735	1,754,209
Special instruction	454,213	421,213	510,303	446,991	427,012	490,293	531,211
Other instruction	476,414	418,006	408,715	369,982	403,151	200,160	217,482
Support services:							
Student services	58,355	98,241	102,426	96,769	97,475	97,235	100,084
Instructional staff services	117,119	153,551	124,290	140,435	116,141	122,843	98,800
Administration services	522,926	495,412	466,908	484,887	485,354	605,385	536,916
Operation and maintenance	473,878	406,890	405,727	391,297	384,718	335,493	380,176
Transportation services	206,337	191,478	248,339	306,551	261,357	365,048	168,773
Non-instructional programs	6,391	-	-	-	4,082	-	255
Other expenditures:							
Facilities acquisition	715,152	437,426	351,988	119,938	128,434	220,647	316,607
Long-term debt:							
Principal	330,000	320,000	4,100,000	275,000	265,000	255,000	259,307
Interest and other charges	140,800	153,600	349,060	361,648	363,776	232,898	245,553
AEA flowthrough	183,449	161,318	157,847	155,881	149,751	147,634	150,193
Total expenditures	<u>5,793,313</u>	<u>5,294,351</u>	<u>9,170,015</u>	<u>5,069,554</u>	<u>4,855,940</u>	<u>4,919,371</u>	<u>4,759,566</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Direct:			
U.S. Department of Education:			
Rural Education	84.358	S358A091316	30,587
Subtotal Direct			<u>30,587</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	27,285
National School Lunch Program (non-cash)	10.555	FY10	17,864
National School Lunch Program	10.555	FY10	88,233
			<u>133,382</u>
U.S. Department of Justice:			
City of Correctionville			
ARRA - Public Safety Partnership and Community Policing, Recovery Act	16.710	FY10	27,262
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	73,610
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	24,405
			<u>98,015</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	2,062
Fund for the Improvement of Education	84.215	FY10	25,000
Advanced Placement Program	84.330	FY10	112
Improving Teacher Quality State Grants	84.367	FY10	35,873
Grants for State Assessments and Related Activities	84.369	FY10	2,663
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	208,358
Northwest Area Education Agency			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY10	24,666
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	31,226
			<u>55,892</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	6,370
U. S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)	97.036	FY10	1,485
Subtotal Indirect			<u>596,474</u>
Total			<u>627,061</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of River Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A, 10-II-B and 10-II-C to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

January 31, 2011

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited River Valley Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of River Valley Community School District's of its major federal programs for the year ended June 30, 2010. River Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of River Valley Community School District's management. Our responsibility is to express an opinion on River Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about River Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on River Valley Community School District's compliance with those requirements.

In our opinion, River Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of River Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered River Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of River Valley Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-III-A to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-III-B to be a significant deficiency.

River Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit River Valley Community School District's responses and, accordingly, we express no opinion on the responses.

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

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

January 31, 2011

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency and material weakness in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) River Valley Community School District did not qualify as a low-risk auditee.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal control deficiencies:

10-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

10-II-C Financial Reporting: During the audit, we identified material amounts of accounts payables that were incorrectly reported as reductions of cash balances. Adjustments were subsequently made by the District to properly include these amounts in the financial statements as liabilities.

Recommendation: The District should implement procedures to ensure that checks are not written after year-end but dated prior to year-end.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

District Response: We will change procedures so that checks written after year-end are not dated and recorded as cash disbursements as of year-end.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants,
Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

10-III-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants,
Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards (continued):

10-III-B Accounting for Expenditures: ARRA State Fiscal Stabilization program quarterly reports included \$24,599 of ARRA expenditures that were not recorded as ARRA State Fiscal Stabilization expenditures in the accounting records. District administration decided to include additional qualified salaries and benefits on the quarterly reports, but a corresponding journal entry was not made in the accounting records.

Recommendation: The District should record federal expenditures to specific federal expenditures accounts as the expenditures are incurred. If posting errors are discovered, those errors should be adjusted immediately.

District Response: We will revise our procedures for recording and documenting ARRA State Fiscal Stabilization expenditures and implement procedures to reconcile the quarterly reports to the accounting records.

Conclusion: Response accepted.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, exceeded the amount budgeted in the other expenditures functions.

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

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

Conclusion: Response accepted.

10-IV-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

10-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

10-IV-D Business Transactions: No business transactions between the District and District officials or employees were noted.

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

10-IV-F Board Minutes: We noted 2 General Fund, 1 Nutrition Fund, and 1 Preschool expenditures that were not on the list of bills approved by the board.

Recommendation: The District should review its procedures for preparing the lists of bills for board approval. Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent. Except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments made prior to board approval as allowed should be approved by the board at the next meeting.

District Response: The four items not included were prepaid bills. The omission was an oversight.

Conclusion: Response accepted.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

10-IV-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education for the Certified Enrollment Certification Form for October 2009, was overstated by one student. The student had dropped out in August 2009, but the school's records were not updated until after the October count date.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact these departments.

Conclusion: Response accepted.

10-IV-H Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

10-IV-I 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.

10-IV-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

10-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$ 333,021
Statewide sales, services and use tax	351,618
Interest revenue	180
Federal grants	52,262
Expenditures/transfers out:	
School infrastructure:	
Buildings and building improvements	<u>(676,315)</u>
Ending balance	<u>60,766</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Physical plant and equipment levy	2.34301	351,618

10-IV-M Old outstanding checks: We noted that the District's bank reconciliations included approximately \$4,400 of old outstanding checks. Iowa Code Section 566 specifies that holders of unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then, reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

10-IV-N Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. Per a review of Student Activity Accounts we noted accounts for graduated classes, elementary student council and book fair. These types of accounts do not appear to be part of the District's extracurricular or co-curricular student activities and should have been recorded in the General Fund or transferred to other student activity accounts.

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

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

Conclusion: Response accepted.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

10-IV-O Interfund loans: The Iowa Department of Education has issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1, after each year-end.

We noted that the District has several interfund loan balances that are over one year old.

Recommendation: The District should follow the Declaratory Order with respect to the District's interfund loans.

District Response: We will repay the interfund loans immediately.

Conclusion: Response accepted.