

RICEVILLE COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

To the Board of Education of  
Riceville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riceville Community School District, Riceville, Iowa, as of and for the year ended June 30, 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 Riceville Community School District as of 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 reports dated May 6, 2011, on our consideration of Riceville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riceville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the five years ended June 30, 2008, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

May 6, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,818,341 in fiscal 2009 to \$3,630,376 in fiscal 2010, while General Fund expenditures decreased from \$3,751,799 in fiscal 2009 to \$3,403,167 in fiscal 2010. The District's General Fund balance increased from \$717,025 in fiscal 2009 to \$944,887 in fiscal 2010, a 32% increase.
- The decrease in General Fund revenues was attributable to a decrease in property tax revenue in fiscal 2010. The decrease in expenditures was due primarily to a staff reduction through early retirement.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

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

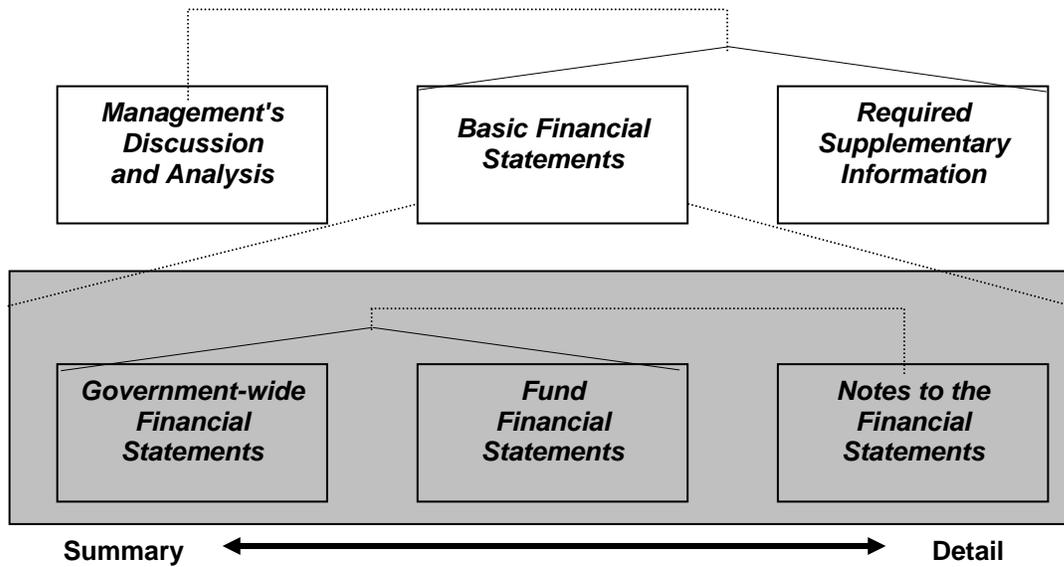


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 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		
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,822,467	3,898,204	65,279	42,263	4,887,746	3,940,467	24%
Capital assets	1,195,732	1,188,638	57,753	18,612	1,253,485	1,207,250	4%
<b>Total assets</b>	<b>6,018,199</b>	<b>5,086,842</b>	<b>123,032</b>	<b>60,875</b>	<b>6,141,231</b>	<b>5,147,717</b>	<b>19%</b>
Long-term liabilities	300,885	170,951	340	-	301,225	170,951	76%
Other liabilities	2,429,163	2,114,939	11,120	1,498	2,440,283	2,116,437	15%
<b>Total liabilities</b>	<b>2,730,048</b>	<b>2,285,890</b>	<b>11,460</b>	<b>1,498</b>	<b>2,741,508</b>	<b>2,287,388</b>	<b>20%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,066,290	1,029,325	57,753	18,612	1,124,043	1,047,937	7%
Restricted	1,264,903	1,013,462	-	-	1,264,903	1,013,462	25%
Unrestricted	956,958	758,165	53,819	40,765	1,010,777	798,930	27%
<b>TOTAL NET ASSETS</b>	<b>3,288,151</b>	<b>2,800,952</b>	<b>111,572</b>	<b>59,377</b>	<b>3,399,723</b>	<b>2,860,329</b>	<b>19%</b>

The District's combined net assets increased by 19%, or approximately \$539,394, over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$251,441 or 25% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$211,847, or 27%.

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

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	
Revenues							
Program Revenues:							
Charges for services	498,224	489,581	98,170	106,080	596,394	595,661	<1%
Operating grants & contributions	880,500	638,875	62,286	54,486	942,786	693,361	36%
Capital grants & contributions							
General Revenues:							
Property taxes	2,000,769	2,108,722	-	-	2,000,769	2,108,722	-5%
Income Surtax	220,597	238,662	-	-	220,597	238,662	-8%
Statewide sales tax	176,016	200,032	-	-	176,016	200,032	-12%
Unrestricted state grants	588,043	905,903	-	-	588,043	905,903	-35%
Unrestricted investment earnings	19,266	38,943	161	101	19,427	39,044	-50%
Other revenue	1,898	760	-	-	1,898	760	150%
<b>Total Revenues</b>	<b>4,385,313</b>	<b>4,621,478</b>	<b>160,617</b>	<b>160,667</b>	<b>4,545,930</b>	<b>4,782,145</b>	<b>-5%</b>
Expenses:							
Instruction	2,600,811	2,658,580	-	-	2,600,811	2,658,580	-2%
Support services	1,164,094	1,307,277	-	-	1,164,094	1,307,277	-11%
Non-instructional programs	-	2,067	153,927	154,936	153,927	157,003	-2%
Other expenditures	272,358	373,391	-	-	272,358	373,391	-27%
<b>Total expenses</b>	<b>4,037,263</b>	<b>4,341,315</b>	<b>153,927</b>	<b>154,936</b>	<b>4,191,190</b>	<b>4,496,251</b>	<b>-7%</b>
<b>Change in net assets</b>	<b>348,050</b>	<b>280,163</b>	<b>6,690</b>	<b>5,731</b>	<b>354,740</b>	<b>285,894</b>	<b>24%</b>

Property taxes and unrestricted state grants are the largest revenue categories, accounting for 57% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$4,385,313 and expenses were \$4,037,263. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

### Total and Net Cost of Governmental Activities

	Total Cost of Services 2010 \$	Total Cost of Services 2009 \$	Net Cost of Services 2010 \$	Net Cost of Services 2009 \$
Instruction	2,600,811	2,658,580	1,363,733	1,665,849
Support Services	1,164,094	1,307,277	1,162,484	1,305,027
Non-instructional Programs	-	2,067	-	2,067
Other Expenses	272,358	373,391	132,322	239,916
<b>TOTAL</b>	<b>4,037,263</b>	<b>4,341,315</b>	<b>2,658,539</b>	<b>3,212,859</b>

- The cost financed by users of the District's programs was \$498,224;
- Federal and state governments subsidized certain programs with grants and contributions totaling \$880,500.
- The net cost of governmental activities was financed with \$2,397,382 in property and other taxes and \$588,043 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$160,617 and expenses were \$153,927. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

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

### **Governmental Fund Highlights**

The District's improving General Fund financial position is the result of many factors. Fiscal 2010 revenues decreased and district implemented cost cutting and saving measures to insure a balanced budget.

- The General Fund balance increased from \$717,025 to \$944,887. This represents an increase of \$227,862 or 32%, due in part to cost cutting measures that included reduction in staff.
- The Capital Projects Fund balance increased due to a decrease in expenditures. The District ended fiscal 2009 with a balance of \$221,112. Fiscal 2010 ended with a balance of \$339,675.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$104,882 at June 30, 2009 to \$111,572 at June 30, 2010, representing an increase of 6%.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$472,237 less than total budgeted revenues, a variance of less than 10%.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2010, the District had invested approximately \$1,253,485, 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 4% from last year. More

detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Land	37,000	37,000	-	-	37,000	37,000	0%
Buildings	869,343	942,232	-	-	869,343	942,232	-8%
Improvements	54,734	37,200	-	-	54,734	37,200	47%
Equipment & Furniture	234,655	311,355	57,753	64,117	292,408	375,472	-22%
<b>TOTAL</b>	<b>1,195,732</b>	<b>1,327,787</b>	<b>57,753</b>	<b>64,117</b>	<b>1,253,485</b>	<b>1,391,904</b>	<b>-10%</b>

**Long-Term Debt**

At June 30, 2010 the District had \$300,885 in long-term debt outstanding.

Figure A-7

**Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2010	2009	2009-2010
	\$	\$	
Governmental activities:			
Contracts payable	129,442	159,313	-19%
Termination benefits	158,188	11,638	1260%
Net OPEB liability	13,255	-	100%
Total	<u>300,885</u>	<u>170,951</u>	<u>76%</u>
Business type activities:			
Net OPEB liability	<u>340</u>	<u>-</u>	<u>100%</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:

- Our budget enrollment dropped by over 100 students in 5 years. Declining enrollment will continue to impact the District in future years. The District continues to have more students open enrolling in that enrolled out.
- Associated costs of additional special education students are those for counseling and at-risk programs, which continues to grow.

- During 2009-2010, the District has completed or will complete several projects to renovate and repair the buildings, including roof repairs, tuck pointing exterior brick, and window repairs. In addition to the projects outside the building, there has been a major upgrade in lighting efficiency and heating improvements. Exterior doors have been replaced throughout the building
- The elimination of the state budget guarantee continues to place a greater burden on local taxpayers, as district costs do not necessarily decrease with fewer students.
- Under the District's fully-insured health care plan with Blue Cross-Blue Shield, premiums increased by 5% for 2009-2010.

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

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

## BASIC FINANCIAL STATEMENTS

## RICEVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	2,275,788	53,920	2,329,708
Receivables:			
Property tax:			
Delinquent	25,449	-	25,449
Succeeding year	2,039,314	-	2,039,314
Accounts	200	60	260
Due from other governments	481,716	-	481,716
Inventories	-	11,299	11,299
Capital assets, net of accumulated depreciation	1,195,732	57,753	1,253,485
<b>Total assets</b>	<b>6,018,199</b>	<b>123,032</b>	<b>6,141,231</b>
<b>Liabilities</b>			
Accounts payable	62,523	-	62,523
Salaries and benefits payable	286,312	9,084	295,396
Deferred revenue:			
Succeeding year property tax	2,039,314	-	2,039,314
Other	41,014	2,036	43,050
Long-term liabilities:			
Portion due within one year:			
Contract payable	29,871	-	29,871
Termination benefits	158,188	-	158,188
Portion due after one year:			
Contract payable	99,571	-	99,571
Net OPEB liability	13,255	340	13,595
<b>Total liabilities</b>	<b>2,730,048</b>	<b>11,460</b>	<b>2,741,508</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,066,290	57,753	1,124,043
Restricted for:			
Categorical funding	89,466	-	89,466
Management levy	284,928	-	284,928
Physical plant and equipment levy	488,622	-	488,622
Other special revenue purposes	62,212	-	62,212
Sales tax capital projects	339,675	-	339,675
Unrestricted	956,958	53,819	1,010,777
<b>Total net assets</b>	<b>3,288,151</b>	<b>111,572</b>	<b>3,399,723</b>

See notes to financial statements.

Riceville Community School District

Statement of Activities

Year ended June 30, 2010

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	1,551,740	247,321	455,062	-
Special	431,327	126,267	142,872	-
Other	617,744	123,026	142,530	-
	<u>2,600,811</u>	<u>496,614</u>	<u>740,464</u>	<u>-</u>
<b>Support services:</b>				
Student	54,432	-	-	-
Instructional staff	86,622	-	-	-
Administration	404,102	-	-	-
Operation and maintenance of plant	354,759	450	-	-
Transportation	264,179	1,160	-	-
	<u>1,164,094</u>	<u>1,610</u>	<u>-</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	50,848	-	-	-
AEA flowthrough	140,036	-	140,036	-
Depreciation (unallocated)*	81,474	-	-	-
	<u>272,358</u>	<u>-</u>	<u>140,036</u>	<u>-</u>
<b>Total governmental activities</b>	<b>4,037,263</b>	<b>498,224</b>	<b>880,500</b>	<b>-</b>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	153,927	98,170	62,286	-
<b>Total</b>	<u>4,191,190</u>	<u>596,394</u>	<u>942,786</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
<b>Total general revenues</b>				

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(849,357)	-	(849,357)
(162,188)	-	(162,188)
(352,188)	-	(352,188)
<u>(1,363,733)</u>	<u>-</u>	<u>(1,363,733)</u>
(54,432)	-	(54,432)
(86,622)	-	(86,622)
(404,102)	-	(404,102)
(354,309)	-	(354,309)
(263,019)	-	(263,019)
<u>(1,162,484)</u>	<u>-</u>	<u>(1,162,484)</u>
(50,848)	-	(50,848)
-	-	-
(81,474)	-	(81,474)
<u>(132,322)</u>	<u>-</u>	<u>(132,322)</u>
(2,658,539)	-	(2,658,539)
-	6,529	6,529
<u>(2,658,539)</u>	<u>6,529</u>	<u>(2,652,010)</u>
1,890,679	-	1,890,679
110,090	-	110,090
220,597	-	220,597
176,016	-	176,016
588,043	-	588,043
19,266	161	19,427
1,898	-	1,898
<u>3,006,589</u>	<u>161</u>	<u>3,006,750</u>
348,050	6,690	354,740
<u>2,940,101</u>	<u>104,882</u>	<u>3,044,983</u>
<u>3,288,151</u>	<u>111,572</u>	<u>3,399,723</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2010

	General Fund	Physical Plant and Equipment Levy	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	1,070,423	391,552	440,580	373,233	2,275,788
Receivables:					
Property tax:					
Delinquent	21,503	1,410	2,536	-	25,449
Succeeding year	1,694,741	144,574	199,999	-	2,039,314
Accounts	-	-	-	200	200
Due from other governments	357,602	95,660	-	28,454	481,716
<b>Total assets</b>	<b>3,144,269</b>	<b>633,196</b>	<b>643,115</b>	<b>401,887</b>	<b>4,822,467</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	62,523	-	-	-	62,523
Salaries and benefits payable	286,312	-	-	-	286,312
Deferred revenue:					
Succeeding year property tax	1,694,741	144,574	199,999	-	2,039,314
Income surtax	114,792	95,660	-	-	210,452
Other	41,014	-	-	-	41,014
Total liabilities	2,199,382	240,234	199,999	-	2,639,615
Fund balances:					
Reserved for:					
Categorical funding	89,466	-	-	-	89,466
Unreserved reported in:					
General fund	855,421	-	-	-	855,421
Special revenue funds	-	392,962	443,116	62,212	898,290
Capital projects funds	-	-	-	339,675	339,675
Total fund balances	944,887	392,962	443,116	401,887	2,182,852
<b>Total liabilities and fund balances</b>	<b>3,144,269</b>	<b>633,196</b>	<b>643,115</b>	<b>401,887</b>	<b>4,822,467</b>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,182,852
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,195,732
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	210,452
Long-term liabilities, including contracts payable, termination benefits, and other post employment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(300,885)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,288,151</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Physical Plant and Equipment Levy	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,778,124	181,214	199,485	176,016	2,334,839
Tuition	321,711	-	-	-	321,711
Other	62,135	3,947	3,625	126,072	195,779
State sources	970,188	50	87	-	970,325
Federal sources	498,218	-	-	-	498,218
Total revenues	<u>3,630,376</u>	<u>185,211</u>	<u>203,197</u>	<u>302,088</u>	<u>4,320,872</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,369,358	-	-	-	1,369,358
Special	428,948	-	-	-	428,948
Other	480,859	-	-	126,465	607,324
	<u>2,279,165</u>	<u>-</u>	<u>-</u>	<u>126,465</u>	<u>2,405,630</u>
Support services:					
Student	41,564	-	12,528	-	54,092
Instructional staff	63,405	55,226	-	-	118,631
Administration	373,507	9,659	19,237	-	402,403
Operation and maintenance of plant services	311,278	5,787	24,091	5,338	346,494
Transportation	194,212	-	6,938	-	201,150
	<u>983,966</u>	<u>70,672</u>	<u>62,794</u>	<u>5,338</u>	<u>1,122,770</u>
Other expenditures:					
Facilities acquisition	-	22,137	-	54,830	76,967
Long-term debt:					
Principal	-	-	-	29,871	29,871
AEA flowthrough	140,036	-	-	-	140,036
	<u>140,036</u>	<u>22,137</u>	<u>-</u>	<u>84,701</u>	<u>246,874</u>
Total expenditures	<u>3,403,167</u>	<u>92,809</u>	<u>62,794</u>	<u>216,504</u>	<u>3,775,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>227,209</u>	<u>92,402</u>	<u>140,403</u>	<u>85,584</u>	<u>545,598</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Physical Plant and Equipment Levy	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of materials and equipment	653	1,245	-	-	1,898
Operating transfers in	-	-	-	29,871	29,871
Operating transfers out	-	(29,871)	-	-	(29,871)
Total other financing sources (uses)	<u>653</u>	<u>(28,626)</u>	<u>-</u>	<u>29,871</u>	<u>1,898</u>
Net change in fund balances	227,862	63,776	140,403	115,455	547,496
Fund balances beginning of year, as restated	<u>717,025</u>	<u>329,186</u>	<u>302,713</u>	<u>286,432</u>	<u>1,635,356</u>
Fund balances end of year	<u><u>944,887</u></u>	<u><u>392,962</u></u>	<u><u>443,116</u></u>	<u><u>401,887</u></u>	<u><u>2,182,852</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		547,496
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year, as follows:		
Expenditures for capital assets	73,578	
Depreciation expense	<u>(205,633)</u>	(132,055)
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.		
		62,543
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		29,871
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(146,550)	
Other postemployment benefits	<u>(13,255)</u>	<u>(159,805)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>348,050</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	53,920
Accounts receivable	60
Inventories	11,299
Capital assets, net of accumulated depreciation	<u>57,753</u>
<b>Total assets</b>	<u>123,032</u>
<b>Liabilities</b>	
Salaries and benefits payable	9,084
Deferred revenue	2,036
Net OPEB liability	<u>340</u>
<b>Total liabilities</b>	<u>11,460</u>
<b>Net assets</b>	
Invested in capital assets	57,753
Unrestricted	<u>53,819</u>
<b>Total net assets</b>	<u><u>111,572</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>98,170</u>
Operating expenses:	
Non-instructional programs:	
Salaries	46,970
Benefits	12,952
Purchased services	7,998
Supplies	79,643
Depreciation	6,364
Total operating expenses	<u>153,927</u>
Operating gain (loss)	<u>(55,757)</u>
Non-operating revenue:	
State sources	1,661
Federal sources	60,625
Interest income	161
Total non-operating revenue	<u>62,447</u>
Change in net assets	6,690
Net assets beginning of year, as restated	<u>104,882</u>
Net assets end of year	<u><u>111,572</u></u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	98,665
Cash payments to employees for services	(50,498)
Cash payments to suppliers for goods or services	(76,460)
Net cash used by operating activities	<u>(28,293)</u>
Cash flows from non-capital financing activities:	
State grants received	1,661
Federal grants received	48,535
Net cash provided by non-capital financing activities	<u>50,196</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>161</u>
Net increase (decrease) in cash and cash equivalents	22,064
Cash and cash equivalents at beginning of year	<u>31,856</u>
Cash and cash equivalents at end of year	<u><u>53,920</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(55,757)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	12,090
Depreciation	6,364
Decrease (increase) in inventories	(909)
Decrease (increase) in accounts receivable	(43)
(Decrease) increase in salaries and benefits payable	9,084
(Decrease) increase in deferred revenue	538
(Decrease) increase in othe postemployment benefits	340
Net cash used by operating activities	<u><u>(28,293)</u></u>

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

During the year ended June 30, 2010, the District received \$12,090 of federal commodities.

# RICEVILLE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### 1. Summary of Significant Accounting Policies

Riceville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Riceville, McIntire, and Saratoga, Iowa and the predominately agricultural territory in a portion of Howard and Mitchell Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

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

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

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

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

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-

wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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	1
Buildings	500
Improvements other than buildings	500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	50 years
Intangibles	3-10 years
Furniture and equipment	5 years

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

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 receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed 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.

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

### **3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

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

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

#### 4. Capital Assets

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

	Balance Beginning of Year, as Restated \$	Increases \$	Decreases \$	Balance End of Year \$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	37,000	-	-	37,000
Capital assets being depreciated:				
Buildings	2,367,266	-	-	2,367,266
Improvements other than buildings	316,130	26,119	-	342,249
Furniture and equipment	1,435,792	47,459	266,770	1,216,481
Total capital assets being deprec.	4,119,188	73,578	266,770	3,925,996
Less accumulated depreciation for:				
Buildings	1,425,034	72,889	-	1,497,923
Improvements other than buildings	278,930	8,585	-	287,515
Furniture and equipment	1,124,437	124,159	266,770	981,826
Total accumulated depreciation	2,828,401	205,633	266,770	2,767,264
Total capital assets being depreciated, net	1,290,787	(132,055)	-	1,158,732
Governmental activities capital assets, net	1,327,787	(132,055)	-	1,195,732
	Balance Beginning of Year, as Restated \$	Increases \$	Decreases \$	Balance End of Year \$
<b>Business type activities:</b>				
Furniture and equipment	199,278	-	37,715	161,563
Less accumulated depreciation	135,161	6,364	37,715	103,810
Business type activities capital assets, net	64,117	(6,364)	-	57,753

Depreciation expense was charged to the following functions:

	Amount \$
Governmental activities:	
Instruction:	
Regular	29,374
Other	8,721
Support Services:	
Instructional staff	12,805
Operation and maintenance	10,230
Transportation	63,029
	<u>124,159</u>
Unallocated depreciation	<u>81,474</u>
Total depreciation expense – governmental activities	<u>205,633</u>
Business type activities:	
Food services	<u>6,364</u>

## 5. Long-Term Liabilities

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

	Balance Beginning of Year \$	Additions \$	Reductions \$	Balance End of Year \$	Due Within One Year \$
Governmental activities:					
Contract payable	159,313	-	29,871	129,442	29,871
Termination benefits	11,638	158,188	11,638	158,188	158,188
Net OPEB liability	-	13,255	-	13,255	-
	<u>170,951</u>	<u>171,443</u>	<u>41,509</u>	<u>300,885</u>	<u>188,059</u>
Total					
Business type activities:					
Net OPEB liability	-	340	-	340	-

### Termination Benefits

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

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

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

At June 30, 2010, the District has obligations to six participants with a total liability of \$158,188. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$11,638.

#### Contract Payable

During the year ended June 30, 2009, the District entered into a contract for lighting improvements. The contract bears no interest and is payable from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
	\$
2011	29,871
2012	29,871
2013	29,871
2014	29,871
2015	9,958
	<u>129,442</u>

During the year ended June 30, 2010 the District made principal payments totaling \$29,871 under the agreement.

#### **6. Pension and Retirement Benefits**

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

Plan members are required to contribute 4.30% of their annual 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 \$116,399, \$142,959, and \$132,118 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 40 active and 5 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. 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	20,404
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>20,404</u>
Contributions made	<u>6,809</u>
Increase in net OPEB obligation	13,595
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>13,595</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 \$6,809 to the medical plan. Plan members eligible for benefits contributed \$21,162, or 76% 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	20,404	33%	13,595

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 \$187,657, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$187,657. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,620,000, and the ratio of the UAAL to covered payroll was 11.6%. 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. 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**

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

**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 \$140,036 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. Operating Lease**

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

Year Ending June 30,	\$
2011	8,268

**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>
	\$
Gifted and talented	15,965
Mentoring	665
Teacher salary supplement	43,744
Core curriculum	16,792
Educator quality, professional development	<u>12,300</u>
	<u>89,466</u>

## **12. Restatement of Beginning Net Assets**

The beginning net assets balance on the Statement of Activities and on the Statement of Revenues, Expenses, and Changes in Fund Net assets Proprietary Funds were increased to reflect corrections to the District's depreciation schedules. The Governmental Activities net assets were increased \$139,149 and the Business Type Activities/School Nutrition Fund net assets were increased \$45,505.

REQUIRED SUPPLEMENTARY INFORMATION

RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,852,329	98,331	2,950,660	3,250,261	3,250,261	(299,601)
State sources	970,325	1,661	971,986	1,463,465	1,463,465	(491,479)
Federal sources	498,218	60,625	558,843	240,000	240,000	318,843
Total revenues	<u>4,320,872</u>	<u>160,617</u>	<u>4,481,489</u>	<u>4,953,726</u>	<u>4,953,726</u>	<u>(472,237)</u>
Expenditures/Expenses:						
Instruction	2,405,630	-	2,405,630	3,249,796	3,249,796	844,166
Support services	1,122,770	-	1,122,770	1,643,795	1,643,795	521,025
Non-instructional programs	-	153,927	153,927	185,000	185,000	31,073
Other expenditures	246,874	-	246,874	538,338	538,338	291,464
Total expenditures/expenses	<u>3,775,274</u>	<u>153,927</u>	<u>3,929,201</u>	<u>5,616,929</u>	<u>5,616,929</u>	<u>1,687,728</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	545,598	6,690	552,288	(663,203)	(663,203)	1,215,491
Other financing sources (uses) net	<u>1,898</u>	<u>-</u>	<u>1,898</u>	<u>29,871</u>	<u>29,871</u>	<u>(27,973)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	547,496	6,690	554,186	(633,332)	(633,332)	1,187,518
Balance beginning of year	<u>1,635,356</u>	<u>104,882</u>	<u>1,740,238</u>	<u>986,758</u>	<u>986,758</u>	<u>753,480</u>
Balance end of year	<u><u>2,182,852</u></u>	<u><u>111,572</u></u>	<u><u>2,294,424</u></u>	<u><u>353,426</u></u>	<u><u>353,426</u></u>	<u><u>1,940,998</u></u>

RICEVILLE 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 the GAAP basis.

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

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

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 ) %
July 1, 2009	-	187,657	187,657	0.0%	1,620,000	11.6%

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

## RICEVILLE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

	Special Revenue Fund		
	Student Activity Fund	Capital Projects	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	62,012	311,221	373,233
Receivables:			
Accounts	200	-	200
Due from other governments	-	28,454	28,454
	<u>62,212</u>	<u>339,675</u>	<u>401,887</u>
<b>Total assets</b>	<u>62,212</u>	<u>339,675</u>	<u>401,887</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved reported in:			
Special revenue funds	62,212	-	62,212
Capital projects funds	-	339,675	339,675
Total fund balances	<u>62,212</u>	<u>339,675</u>	<u>401,887</u>
<b>Total liabilities and fund balances</b>	<u>62,212</u>	<u>339,675</u>	<u>401,887</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Fund			
	Student Activity Fund	Capital Projects	Debt Service	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	176,016	-	176,016
Other	123,357	2,715	-	126,072
Total revenues	<u>123,357</u>	<u>178,731</u>	<u>-</u>	<u>302,088</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	126,465	-	-	126,465
Support services:				
Operation and maintenance of plant services	-	5,338	-	5,338
Other expenditures:				
Facilities acquisition	-	54,830	-	54,830
Long-term debt:				
Principal	-	-	29,871	29,871
Total expenditures	<u>126,465</u>	<u>60,168</u>	<u>29,871</u>	<u>216,504</u>
Excess (deficiency) of revenues over (under) expenditures	(3,108)	118,563	(29,871)	85,584
Other financing sources (uses):				
Operating transfers in	-	-	29,871	29,871
Net change in fund balances	(3,108)	118,563	-	115,455
Fund balances beginning of year	65,320	221,112	-	286,432
Fund balances end of year	<u>62,212</u>	<u>339,675</u>	<u>-</u>	<u>401,887</u>

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

<u>Account</u>	Balance	Revenues	Expenditures	Balance
	Beginning of			End of Year
	Year			
	\$	\$	\$	\$
Annual	5,507	4,708	6,499	3,716
Athletics	1,692	30,168	28,955	2,905
Wrestling	2,262	332	1,475	1,119
Girls basketball	416	-	255	161
Volleyball	321	-	-	321
Boys basketball I	52	-	40	12
Softball	355	23,612	21,765	2,202
Baseball	1,175	1,000	891	1,284
Cheerleaders	958	1,375	1,452	881
Class of 2010	2,129	232	2,361	-
Class of 2011	4,167	20	1,379	2,808
Class of 2012	2,600	347	20	2,927
Class of 2013	2,965	9	5	2,969
Class of 2014	1,644	1,939	821	2,762
Class of 2015	1,630	3,230	1,737	3,123
Class of 2016	-	541	213	328
Future Farmers of America	15,246	34,032	39,325	9,953
Honor society	200	178	123	255
Junior high library	1,289	20	30	1,279
Vocal music	125	1,047	649	523
Instrumental music	3,334	6,043	4,603	4,774
Resale:				
Shop	143	628	556	215
Vocational agriculture	649	-	45	604
Spanish class	34	-	-	34
Special plans	12,239	2,250	4,145	10,344
Business ed	483	4,305	4,394	394
Food & fitness	-	3,569	887	2,682
Art	-	1,246	839	407
Speech and forensics	1,696	947	1,382	1,261
Journalism	53	-	-	53
Video production	67	-	-	67
HS student council	545	509	511	543
MS student council	107	-	-	107
Intro to manufacturing	54	-	-	54
Electrathon	157	-	-	157
Senior graduation account	362	-	-	362
Foods class	664	1,070	1,108	626
	<u>65,320</u>	<u>123,357</u>	<u>126,465</u>	<u>62,212</u>
Total				

See accompanying independent auditor's report.

## RICEVILLE COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	2,334,839	2,519,592	2,705,572	2,348,961	2,104,770	2,007,868	1,876,077
Tuition	321,711	294,574	223,692	216,260	195,239	156,087	108,229
Other	195,779	233,950	333,642	287,410	282,852	218,016	178,441
State sources	970,325	1,310,646	1,237,468	1,467,065	1,289,154	1,403,190	1,262,474
Federal sources	498,218	234,132	168,379	170,134	205,730	169,805	194,987
Total revenues	<u>4,320,872</u>	<u>4,592,894</u>	<u>4,668,753</u>	<u>4,489,830</u>	<u>4,077,745</u>	<u>3,954,966</u>	<u>3,620,208</u>
Expenditures:							
Instruction:							
Regular instruction	1,369,358	1,492,566	1,629,605	1,582,941	1,454,349	1,452,958	1,547,523
Special instructor	428,948	458,464	253,381	573,884	419,474	368,598	272,466
Other instruction	607,324	673,248	584,317	267,974	485,726	423,577	464,293
Support services:							
Student services	54,092	81,566	80,494	79,853	92,833	117,210	111,184
Instructional staff services	118,631	65,479	132,113	102,340	81,403	108,739	70,667
Administration services	402,403	403,636	412,417	508,308	475,289	488,844	492,758
Operation and maintenance	346,494	483,832	425,216	408,681	376,840	371,090	317,152
Transportation services	201,150	227,922	399,862	340,750	367,977	269,025	232,706
Central support services	-	-	-	-	-	97,791	1,986
Non-instructional programs	-	2,067	8,735	-	-	-	8,611
Other expenditures:							
Facilities acquisition	76,967	194,779	512,096	268,998	299,453	180,233	151,943
Long-term debt:							
Principal	29,871	29,871	19,914	-	-	-	-
AEA flowthrough	140,036	133,475	130,693	131,731	127,246	128,100	130,590
Total expenditures	<u>3,775,274</u>	<u>4,246,905</u>	<u>4,588,843</u>	<u>4,265,460</u>	<u>4,180,590</u>	<u>4,006,165</u>	<u>3,801,879</u>

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

To the Board of Education of  
Riceville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riceville Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 6, 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 Riceville Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riceville Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riceville Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 Responses, 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 I of the accompanying Schedule of Findings and Responses as items 10-I-A, 10-I-B, and 10-I-C to be material weaknesses.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Riceville Community School District and other parties to whom Riceville Community School District may report, 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 Riceville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

May 6, 2011

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

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

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

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

Conclusion: Response accepted.

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

- 10-II-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- 10-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 10-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 10-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 10-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 10-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 10-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education on the Certified Enrollment Certification for October 2009, was overstated by one student.
- 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-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 10-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 10-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 10-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

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

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

Conclusion: Response accepted.

10-II-L Statewide Sales, Services and Use Tax: Sales tax proceeds may be spent to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit. We noted that the District used sales tax monies to purchase 6 tables and 66 chairs for a total of \$3,126. This expenditure does not appear to be allowable from the sales tax proceeds.

Recommendation: The District should be aware of the limitation on types of expenditures allowed with each type of funding and the General Fund should reimburse the Sales Tax Capital Projects Fund for these expenditures.

District Response: We will monitor expenditures from the Sales Tax Capital Projects Fund and make the reimbursement.

Conclusion: Response accepted.

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	\$	\$
		221,112
Statewide sales, services and use tax	176,016	
Interest	<u>2,715</u>	178,731
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	54,830	
Equipment	<u>5,338</u>	<u>60,168</u>
Ending balance		<u><u>339,675</u></u>

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	1.11398	176,016

RICEVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

10-II-M Sale of Equipment: The Code of Iowa specifies that proceeds from the sale of equipment be placed in the General Fund. During fiscal year 2010 the District sold two buses for a total of \$1,245 and recorded the proceeds in the Physical Plant and Equipment Levy Fund (PPEL).

Recommendation: The District should have the PPEL Fund reimburse the General Fund.

District Response: We will make the reimbursement.

Conclusion: Response accepted.