

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

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Basic Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding in Progress for the Retiree Health Plan		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	50
Fiduciary Funds:		
Combining Balance Sheet	4	51
Combining Statement of Changes in Fiduciary Net Assets	5	52
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	53
Schedule of Expenditures of Federal Awards	7	54
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>		55-56
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		57-58
Schedule of Findings and Questioned Costs		59-67

Riverside Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Mark Beedle	President	2009
Tom Novotny	Vice President	2011
Richard Kates	Board Member	2009
Greg Hansen	Board Member	2011
Connie Haines	Board Member	2009
Dan Ives	Board Member	2011
Jeff Buckingham	Board Member	2011
Board of Education (After September 2009 Election)		
Greg Hansen	President	2011
Tom Novotny	Vice President	2011
Murray Fenn	Board Member	2013
Mark Beedle	Board Member	2013
Phil Reed	Board Member	2013
Dan Ives	Board Member	2011
Jeff Buckingham	Board Member	2011
School Officials		
Dr. James Sutton	Superintendent	2012
Tim Blum	Business Manager/ District Treasurer	2010
Marilyn Mickey	Board Secretary	2010
Joe Thornton	Attorney	2010

RIVERSIDE

CARSON-MACEDONIA-OAKLAND

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Riverside Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riverside Community School District, Carson 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.

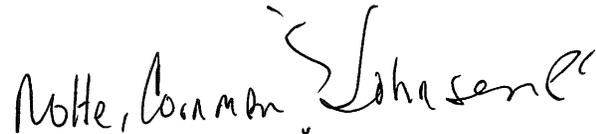
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Riverside 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 March 21, 2011 on our consideration of Riverside 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 7 through 16 and 44 through 46 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverside Community School District's basic financial statements. 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 an unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not expressed herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Riverside Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$6,332,957 in fiscal 2009 to \$6,196,468 in fiscal 2010, while General Fund expenditures increased from \$6,016,872 in fiscal 2009 to \$6,025,251 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$546,470 in fiscal 2009 to a balance of \$717,687 in fiscal 2010.
- The decrease in General Fund revenues was largely attributable to 10% across the board cut in state foundation aid. The increase in expenditures was due primarily to increases in support services expenditures. Even though revenues decreased while expenses increased, revenues still outpaced expenses resulting in an improved General Fund balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding in Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the District.

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

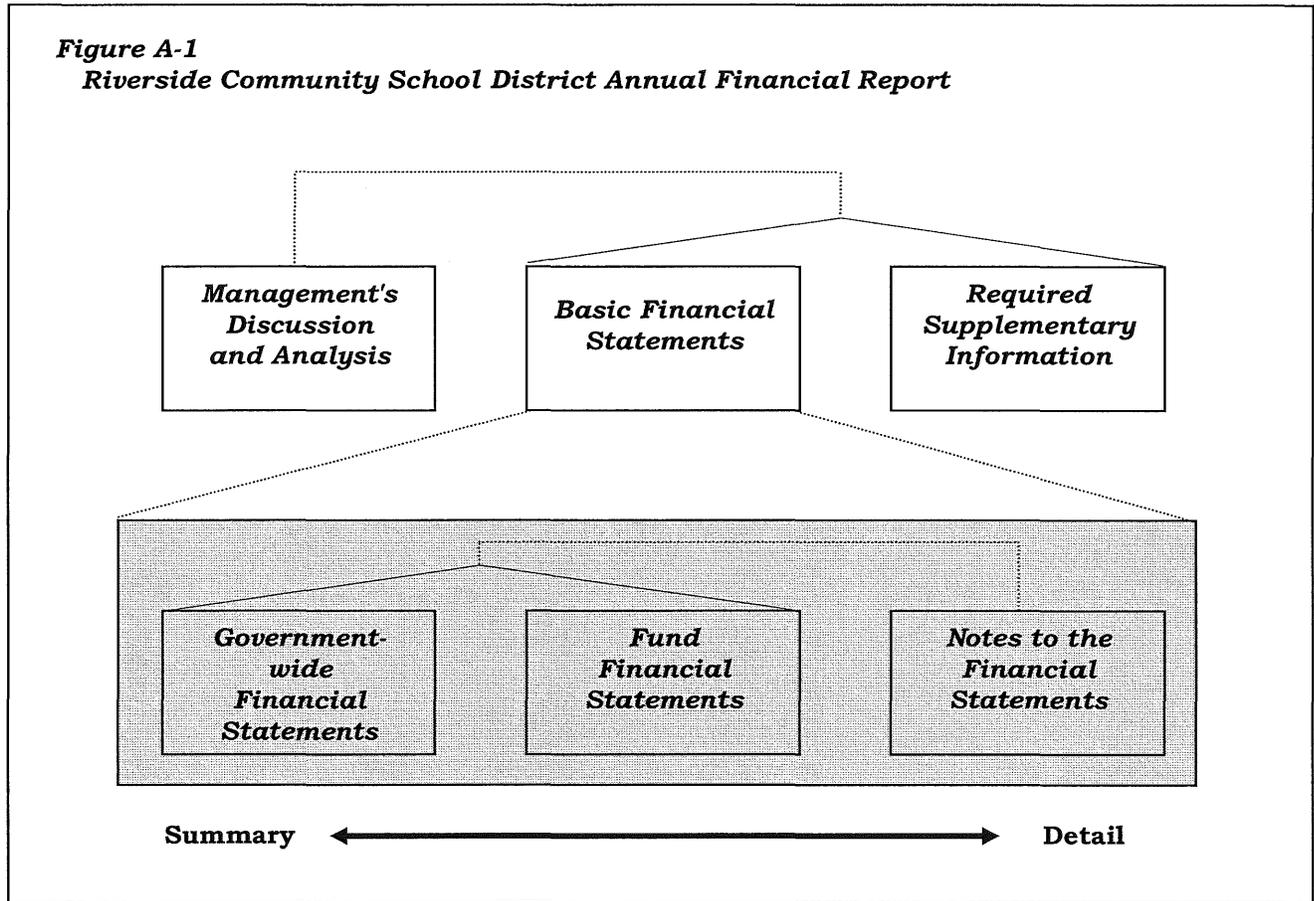


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Day Care Fund. The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District has one Internal Service Fund that is used to account for the District's employee flexible benefit plan.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2010	2009	2010	2009	2010	2009	2009-10	
Current and other assets	\$ 8,124,901	7,477,763	41,484	8,762	8,166,385	7,486,525	9.08%	
Capital assets	2,671,208	2,843,164	33,763	27,745	2,704,971	2,870,909	-5.78%	
Total assets	10,796,109	10,320,927	75,247	36,507	10,871,356	10,357,434	4.96%	
Long-term obligations	535,548	287,757	13,531	-	549,079	287,757	90.81%	
Other liabilities	3,987,557	3,729,183	9,951	9,084	3,997,508	3,738,267	6.93%	
Total liabilities	4,523,105	4,016,940	23,482	9,084	4,546,587	4,026,024	12.93%	
Net assets:								
Invested in capital assets, net of related debt	2,627,737	2,799,594	33,763	27,745	2,661,500	2,827,339	-5.87%	
Restricted	3,059,682	2,659,020	-	-	3,059,682	2,659,020	15.07%	
Unrestricted	585,585	845,373	18,002	(322)	603,587	845,051	-28.57%	
Total net assets	\$ 6,273,004	6,303,987	51,765	27,423	6,324,769	6,331,410	-0.10%	

The District's combined net assets decreased by 0.10%, or \$6,641, from the prior year. The largest portion of the District's net assets is restricted net assets.

Restricted net assets represent resources that are subject to external restrictions; constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$400,662, or 15.07% over the prior year. The increase was primarily a result of increases in fund balances by most of the District's governmental funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$241,464 or 28.57%. This decrease in unrestricted net assets was primarily a result of the District’s net OPEB liability recorded in the current year.

Figure A-4 shows the changes in total net assets for the years ended June 30, 2010 compared to the year ended June 30, 2009.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 302,801	332,317	248,485	248,002	551,286	580,319	-5.00%
Operating grants and contributions and restricted interest	1,209,075	912,538	146,572	130,706	1,355,647	1,043,244	29.95%
General revenues:							
Property tax	2,768,057	2,708,271	-	-	2,768,057	2,708,271	2.21%
Income surtax	397,282	386,205	-	-	397,282	386,205	2.87%
Statewide sales, services and use tax	569,223	538,404	-	-	569,223	538,404	5.72%
Unrestricted state grants	1,786,666	2,240,107	-	-	1,786,666	2,240,107	-20.24%
Unrestricted investment earnings	61,672	78,452	249	333	61,921	78,785	-21.41%
Other	100,318	164,400	3,978	-	104,296	164,400	-36.56%
Transfers	(8,486)	(13,695)	8,486	13,695	-	-	0.00%
Total revenues and transfers	<u>7,186,608</u>	<u>7,346,999</u>	<u>407,770</u>	<u>392,736</u>	<u>7,594,378</u>	<u>7,739,735</u>	<u>-1.88%</u>
Program expenses:							
Governmental activities:							
Instruction	4,530,010	4,404,035	-	-	4,530,010	4,404,035	2.86%
Support services	1,928,244	1,739,101	219	50	1,928,463	1,739,151	10.89%
Non-instructional programs	-	-	383,209	387,934	383,209	387,934	-1.22%
Other expenses	759,337	572,642	-	-	759,337	572,642	32.60%
Total expenses	<u>7,217,591</u>	<u>6,715,778</u>	<u>383,428</u>	<u>387,984</u>	<u>7,601,019</u>	<u>7,103,762</u>	<u>7.00%</u>
Changes in net assets	(30,983)	631,221	24,342	4,752	(6,641)	635,973	101.04%
Net assets beginning of year	<u>6,303,987</u>	<u>5,672,766</u>	<u>27,423</u>	<u>22,671</u>	<u>6,331,410</u>	<u>5,695,437</u>	<u>11.17%</u>
Net assets end of year	<u>\$ 6,273,004</u>	<u>6,303,987</u>	<u>51,765</u>	<u>27,423</u>	<u>6,324,769</u>	<u>6,331,410</u>	<u>-0.10%</u>

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 76.83% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96.88% of the revenue from business type activities.

The District’s total revenues were approximately \$7.59 million of which \$7.19 million was for governmental activities and approximately \$0.40 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.88% decrease in revenues and a 7.00% increase in expenses. The decrease in revenues was primarily due to reduced unrestricted state grants received by the District during fiscal 2010. The increase in expenses was due primarily to increases in support services and other expenses.

Governmental Activities

Revenues for governmental activities were \$7,186,608 and expenses were \$7,217,591 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 4,530,010	4,404,035	2.86%	3,275,476	3,395,569	-3.54%
Support services	1,928,244	1,739,101	10.88%	1,928,244	1,739,101	10.88%
Other expenses	759,337	572,642	32.60%	501,995	336,253	49.29%
Totals	<u>\$ 7,217,591</u>	<u>6,715,778</u>	<u>7.47%</u>	<u>5,705,715</u>	<u>5,470,923</u>	<u>4.29%</u>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$302,801.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,209,075.
- The net cost of governmental activities was financed with \$2,768,057 in property tax, \$397,282 in income surtax, \$569,223 in statewide sales, services and use tax, \$1,786,666 in unrestricted state grants, \$61,672 in interest income and \$100,318 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2010 were \$407,770 representing a 3.83% increase over the prior year, while expenses totaled \$383,428, a 1.17% decrease from the prior year. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,805,064, above last year's ending fund balances of \$3,399,494. The primary reason for the increase in ending fund balances could be attributable to the increases in the General Fund and Capital Projects Fund balances in fiscal 2010.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. Decreases in state sources of funding resulted in reduced revenues. The District limited total General Fund expenditures to only a small increase by aggressively cutting costs where

possible and closely monitoring their budget. In the midst of a difficult economy, revenues outpaced expenditures resulting in an improved financial position for the District.

- The Capital Projects fund balance increased from \$2,419,361 in 2009 to \$2,632,658 in 2010, an 8.82% increase.
- The Special Revenue, Management Fund balance decreased from \$344,730 to \$315,768. This decrease was due primarily to the decrease in local revenues from the prior year.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$44,939 to \$93,783, due to the decrease in facilities acquisitions expenditures from the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit \$12,632 at June 30, 2009 to \$17,240 at June 30, 2010, representing an increase of 236.48%. This occurred in spite of the District reflecting the related expenses for the initial year of the net OPEB liability, which caused a slight increase in total expenses from the previous year. The Day Care Fund net assets decreased from \$40,055 at June 30, 2009 to \$34,525 at June 30, 2010. Expenditures decreased from the prior year, but still outpaced revenues causing the decline in net assets.

BUDGETARY HIGHLIGHTS

The District's revenues were \$820,601 less than budgeted revenues, a variance of 9.76%. The most significant variance resulted from the District receiving less in state sources of revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested approximately \$2.70 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 5.78% from the prior year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$224,917.

The original cost of the District's capital assets was \$9,016,039. Governmental funds account for \$8,934,609 with the remainder of \$81,430 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$115,650 at June 30, 2009, compared to \$240,938 reported at June 30, 2010. This increase was due mainly to a reclassification of assets from the prior year audit.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 10,000	10,000	-	-	10,000	10,000	0.00%
Buildings	2,335,442	2,568,183	-	-	2,335,442	2,568,183	-9.97%
Land improvements	240,938	115,650	-	-	240,938	115,650	52.00%
Machinery and equipment	84,828	149,331	33,763	27,745	118,591	177,076	-49.32%
Total	\$ 2,671,208	2,843,164	33,763	27,745	2,704,971	2,870,909	-5.78%

Long-Term Debt

At June 30, 2010, the District had \$549,079 in total long-term liabilities. This represents an increase of 90.81% from the prior year resulting mainly from the District reflecting the initial year of the net OPEB liability. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had a computer lease payable of \$22,389, a laptop lease payable of \$17,234 and an instrument lease payable of \$3,848 at June 30, 2010.

The District had early retirement benefits payable of \$266,320 at June 30, 2010.

The District had compensated absences payable of \$10,532 at June 30, 2010

The District's net OPEB liability at June 30, 2010 was \$228,756.

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
Computer lease	\$ 22,389	43,570	-48.61%
Laptop lease	17,234	-	100.00%
Instrument lease	3,848	-	100.00%
Early retirement	266,320	237,358	12.20%
Compensated Absences	10,532	6,829	54.22%
Net OPEB liability	228,756	-	100.00%
Total	\$ 549,079	287,757	90.81%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the District's current financial challenges, the FY 2010 state budget cut of 10% resulted in a significant decrease in General Fund revenue, shifting funding requirements onto property taxes and other revenue sources. As a result of these lost revenues, the District will continue to explore all opportunities to reduce expenditures and/or increase revenues.

-
- Although the District experienced a slight increase in resident enrollment, open enrollment continues to eat into District funding as the number of resident students open enrolled out far exceeded non-resident students open enrolled in.
 - Low allowable growth over several years and enrollment issues are negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tim Blum, Business Manager/Board Treasurer, Riverside Community School District, 330 Pleasant St, Carson, IA 51525.

BASIC FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,075,447	25,296	4,100,743
Receivables:			
Property tax:			
Delinquent	23,976	-	23,976
Succeeding year	3,430,913	-	3,430,913
Income surtax	304,489	-	304,489
Due from other governments	290,076	-	290,076
Inventories	-	16,188	16,188
Capital assets, net of accumulated depreciation	2,671,208	33,763	2,704,971
Total assets	10,796,109	75,247	10,871,356
Liabilities			
Accounts payable	37,555	-	37,555
Salaries and benefits payable	448,138	6,227	454,365
Interest payable	1,229	-	1,229
Deferred revenue:			
Succeeding year property tax	3,430,913	-	3,430,913
Other	69,722	-	69,722
Unearned revenue	-	3,724	3,724
Long-term liabilities:			
Portion due within one year:			
Computer lease	22,389	-	22,389
Laptop lease	8,263	-	8,263
Instrument lease	3,848	-	3,848
Early retirement	74,276	-	74,276
Compensated absences	10,532	-	10,532
Portion due after one year:			
Laptop lease	8,971	-	8,971
Early retirement	192,044	-	192,044
Net OPEB liability	215,225	13,531	228,756
Total liabilities	4,523,105	23,482	4,546,587
Net Assets			
Invested in capital assets, net of related debt	2,627,737	33,763	2,661,500
Restricted for:			
Categorical Funding	238,625	-	238,625
Capital projects	2,632,658	-	2,632,658
Management levy	49,448	-	49,448
Physical plant and equipment levy	93,783	-	93,783
Other special revenue purposes	45,168	-	45,168
Unrestricted	585,585	18,002	603,587
Total net assets	\$ 6,273,004	51,765	6,324,769

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,022,179	98,376	789,711	(2,134,092)	-	(2,134,092)
Special	921,622	39,214	90,005	(792,403)	-	(792,403)
Other	586,209	165,211	72,017	(348,981)	-	(348,981)
	<u>4,530,010</u>	<u>302,801</u>	<u>951,733</u>	<u>(3,275,476)</u>	<u>-</u>	<u>(3,275,476)</u>
Support services:						
Student	137,360	-	-	(137,360)	-	(137,360)
Instructional staff	97,468	-	-	(97,468)	-	(97,468)
Administration	747,338	-	-	(747,338)	-	(747,338)
Operation and maintenance of plant	608,223	-	-	(608,223)	-	(608,223)
Transportation	337,855	-	-	(337,855)	-	(337,855)
	<u>1,928,244</u>	<u>-</u>	<u>-</u>	<u>(1,928,244)</u>	<u>-</u>	<u>(1,928,244)</u>
Other expenditures:						
Facilities acquisitions	359,015	-	-	(359,015)	-	(359,015)
Long-term debt interest	1,546	-	-	(1,546)	-	(1,546)
AEA flowthrough	257,342	-	257,342	-	-	-
Depreciation(unallocated)*	141,434	-	-	(141,434)	-	(141,434)
	<u>759,337</u>	<u>-</u>	<u>257,342</u>	<u>(501,995)</u>	<u>-</u>	<u>(501,995)</u>
Total governmental activities	7,217,591	302,801	1,209,075	(5,705,715)	-	(5,705,715)
Business type activities:						
Support services:						
Administration	50	-	-	-	(50)	(50)
Transportation	169	-	-	-	(169)	(169)
	<u>219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(219)</u>	<u>(219)</u>
Non-instructional programs:						
Nutrition services	280,550	154,027	146,074	-	19,551	19,551
Day-care services	102,659	94,458	498	-	(7,703)	(7,703)
	<u>383,209</u>	<u>248,485</u>	<u>146,572</u>	<u>-</u>	<u>11,848</u>	<u>11,848</u>
Total business type activities	383,428	248,485	146,572	-	11,629	11,629
Total	\$ 7,601,019	551,286	1,355,647	(5,705,715)	11,629	(5,694,086)
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,679,269	-	2,679,269
Capital outlay				88,788	-	88,788
Income surtax				397,282	-	397,282
Statewide sales, services and use tax				569,223	-	569,223
Unrestricted state grants				1,786,666	-	1,786,666
Unrestricted investment earnings				61,672	249	61,921
Other				100,318	3,978	104,296
Transfers				(8,486)	8,486	-
Total general revenues and transfers				<u>5,674,732</u>	<u>12,713</u>	<u>5,687,445</u>
Changes in net assets				(30,983)	24,342	(6,641)
Net assets beginning of year				<u>6,303,987</u>	<u>27,423</u>	<u>6,331,410</u>
Net assets end of year				<u>\$ 6,273,004</u>	<u>51,765</u>	<u>6,324,769</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,058,400	2,533,393	454,634	4,046,427
Receivables:				
Property tax:				
Delinquent	22,039	-	1,937	23,976
Succeeding year	2,981,081	-	449,832	3,430,913
Income surtax	304,489	-	-	304,489
Due from other governments	185,064	105,012	-	290,076
Total assets	\$ 4,551,073	2,638,405	906,403	8,095,881
Liabilities and fund Balances				
Liabilities:				
Accounts payable	\$ 29,956	5,747	1,852	37,555
Salaries and benefits payable	448,138	-	-	448,138
Deferred revenue:				
Succeeding year property tax	2,981,081	-	449,832	3,430,913
Income surtax	304,489	-	-	304,489
Other	69,722	-	-	69,722
Total liabilities	3,833,386	5,747	451,684	4,290,817
Fund balances:				
Reserved for:				
Categorical Funding	238,625	-	-	238,625
Unreserved	479,062	2,632,658	454,719	3,566,439
Total fund balances	717,687	2,632,658	454,719	3,805,064
Total liabilities and fund balances	\$ 4,551,073	2,638,405	906,403	8,095,881

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20)		\$ 3,805,064
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		2,671,208
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(1,229)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		29,020
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		304,489
Long-term liabilities, including leases payable, early retirement, compensated absences, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(535,548)
Net assets of governmental activities (page 18)		<u>\$ 6,273,004</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,943,589	569,223	213,293	3,726,105
Tuition	122,083	-	-	122,083
Other	174,402	26,592	180,969	381,963
State sources	2,465,688	-	92	2,465,780
Federal sources	490,706	-	-	490,706
Total revenues	<u>6,196,468</u>	<u>595,815</u>	<u>394,354</u>	<u>7,186,637</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,888,195	-	-	2,888,195
Special	878,157	-	-	878,157
Other	419,475	-	164,037	583,512
	<u>4,185,827</u>	<u>-</u>	<u>164,037</u>	<u>4,349,864</u>
Support services:				
Student	132,161	-	-	132,161
Instructional staff	96,237	-	-	96,237
Administration	647,165	-	59,671	706,836
Operation and maintenance of plant	438,106	19,030	109,012	566,148
Transportation	268,413	-	-	268,413
	<u>1,582,082</u>	<u>19,030</u>	<u>168,683</u>	<u>1,769,795</u>
Other expenditures:				
Facilities acquisitions	-	360,904	40,578	401,482
Long-term debt:				
Principal	-	-	21,181	21,181
Interest and fiscal charges	-	-	2,485	2,485
AEA flowthrough	257,342	-	-	257,342
	<u>257,342</u>	<u>360,904</u>	<u>64,244</u>	<u>682,490</u>
Total expenditures	<u>6,025,251</u>	<u>379,934</u>	<u>396,964</u>	<u>6,802,149</u>
Excess(deficiency)of revenues over(under) expenditures	171,217	215,881	(2,610)	384,488
Other financing sources(uses):				
Transfers in	-	-	23,666	23,666
Transfers out	-	(23,666)	-	(23,666)
Proceeds from capital leases	-	21,082	-	21,082
Total other financing sources(uses)	<u>-</u>	<u>(2,584)</u>	<u>23,666</u>	<u>21,082</u>
Net change in fund balances	171,217	213,297	21,056	405,570
Fund balances beginning of year	546,470	2,419,361	433,663	3,399,494
Fund balances end of year	<u>\$ 717,687</u>	<u>2,632,658</u>	<u>454,719</u>	<u>3,805,064</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ 405,570

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures and depreciation expense in the current year, is as follows:

Capital expenditures	\$ 50,493	
Depreciation expense	(222,449)	(171,956)

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

Issued	(21,082)	
Repaid	21,181	99

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 939

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 8,457

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Compensated absences	(3,703)	
Early retirement	(28,962)	
Other postemployment benefits	(215,225)	(247,890)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (26,202)

Changes in net assets of governmental activities (page 19) \$ (30,983)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Buisness Type			Governmental Activities: Internal Service Fund
	Activities:		Total Non Major Enterprise Funds	
	Non Major			
	Enterprise Funds	Day		
	School Nutrition	Care		
Assets				
Cash and cash equivalents	\$ (18,172)	43,468	25,296	29,020
Inventories	16,188	-	16,188	-
Capital assets, net of accumulated depreciation	33,763	-	33,763	-
Total assets	31,779	43,468	75,247	29,020
Liabilities				
Salaries and benefits payable	619	5,608	6,227	-
Unearned revenues	3,724	-	3,724	-
Net OPEB liability	10,196	3,335	13,531	-
Total liabilities	14,539	8,943	23,482	-
Net Assets				
Invested in capital assets	33,763	-	33,763	-
Unrestricted	(16,523)	34,525	18,002	29,020
Total net assets	\$ 17,240	34,525	51,765	29,020

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type			Governmental Activities: Internal Service Fund
	Activities:		Total Non Major Enterprise Funds	
	Non Major			
	Enterprise Funds	Day Care		
	School Nutrition			
Operating revenues:				
Local sources:				
Charges for services	\$ 154,027	94,458	248,485	14,800
Miscellaneous	1,835	2,641	4,476	-
Total operating revenues	<u>155,862</u>	<u>97,099</u>	<u>252,961</u>	<u>14,800</u>
Operating expenses:				
Support services:				
Administration	-	50	50	41,002
Transportation	-	169	169	-
Total support services:	<u>-</u>	<u>219</u>	<u>219</u>	<u>41,002</u>
Non-instructional programs:				
Food service operations:				
Salaries	107,548	78,849	186,397	-
Benefits	49,060	20,421	69,481	-
Services	335	92	427	-
Supplies	119,613	3,297	122,910	-
Depreciation	2,468	-	2,468	-
Other	1,526	-	1,526	-
Total non-instructional programs	<u>280,550</u>	<u>102,659</u>	<u>383,209</u>	<u>-</u>
Total operating expenses	<u>280,550</u>	<u>102,878</u>	<u>383,428</u>	<u>41,002</u>
Operating loss	<u>(124,688)</u>	<u>(5,779)</u>	<u>(130,467)</u>	<u>(26,202)</u>
Non-operating revenues:				
Interest income	-	249	249	-
State sources	3,098	-	3,098	-
Federal sources	142,976	-	142,976	-
Total non-operating revenues	<u>146,074</u>	<u>249</u>	<u>146,323</u>	<u>-</u>
Excess(deficiency) of revenues over(under) expenditures	21,386	(5,530)	15,856	(26,202)
Other financing sources:				
Capital contributions	8,486	-	8,486	-
Change in net assets	29,872	(5,530)	24,342	(26,202)
Net assets at beginning of year	<u>(12,632)</u>	<u>40,055</u>	<u>27,423</u>	<u>55,222</u>
Net assets end of year	<u>\$ 17,240</u>	<u>34,525</u>	<u>51,765</u>	<u>29,020</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type Activities:			Governmental
	Non Major			Activities:
	Enterprise Funds			Internal
	School	Day	Total	Service
	Nutrition	Care		Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 154,673	-	154,673	-
Cash received from miscellaneous operating activities	1,835	97,099	98,934	14,800
Cash payments to employees for services	(147,001)	(95,344)	(242,345)	-
Cash payments to suppliers for goods or services	(98,032)	(3,389)	(101,421)	(41,002)
Net cash used in operating activities	(88,525)	(1,634)	(90,159)	(26,202)
Cash flows from non-capital financing activities:				
State grants received	3,098	-	3,098	-
Federal grants received	118,967	-	118,967	-
Payments on interfund loans	(61,782)	-	(61,782)	-
Net cash provided by non-capital financing activities	60,283	-	60,283	-
Cash flows from investing activities:				
Interest on investments	-	249	249	-
Net decrease in cash and cash equivalents	(28,242)	(1,385)	(29,627)	(26,202)
Cash and cash equivalents at beginning of year	10,070	44,853	54,923	55,222
Cash and cash equivalents at end of year	\$ (18,172)	43,468	25,296	29,020
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (124,688)	(5,779)	(130,467)	(26,202)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Commodities consumed	24,009	-	24,009	-
Depreciation	2,468	-	2,468	-
Increase in inventories	(567)	-	(567)	-
Increase(Decrease)in salaries and benefits payable	(589)	810	221	-
Increase in net OPEB liability	10,196	3,335	13,531	-
Increase in unearned revenue	646	-	646	-
Net cash used in operating activities	\$ (88,525)	(1,634)	(90,159)	(26,202)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$24,009 of federal commodities.

During the year ended June 30, 2010, the District received capital contributions valued at \$2,750 from the Capital Projects Fund, \$2,868 from the Physical Plant and Equipment Levy Fund and \$2,868 from the Student Activity Fund.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2010

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Assets		
Cash and pooled investments	\$ 66,541	
Total assets	<u>66,541</u>	
Liabilities and Net Assets		
Liabilities		<u>-</u>
Net assets:		
Reserved for scholarships		66,541
Total net assets	<u>\$ 66,541</u>	

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 10,000
Interest income	5,757
Total additions	<u>15,757</u>
Change in net assets	15,757
Net assets beginning of year	<u>50,784</u>
Net assets end of year	<u><u>\$ 66,541</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The District's proprietary funds include the nonmajor Enterprise School Nutrition and Day Care Funds as well as the District's Internal Service Fund. The School Nutrition and Day Care Funds are used to account for the food service and day care operations of the District. The Internal Service Fund is used to account for the District's employee flexible benefit plan. The Internal Service Fund is charged back to

the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

January 1, 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, machinery 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.

Asset Class	Amount
Land	\$ 500
Buildings	5,000
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	5-20 years
Intangibles	2 or more years
Machinery and equipment	3-15 years

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

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

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

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 23,666

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee of the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. During the year ended June 30, 2010, the District had no borrowings from the ISCAP program.

During the year ended June 30, 2010, the District paid \$14,197 on the warrants.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Total capital assets not being depreciated	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	7,622,895	-	117,534	7,505,361
Land improvements	137,922	151,515	-	289,437
Machinery and equipment	1,113,299	16,512	-	1,129,811
Total capital assets being depreciated	8,874,116	168,027	117,534	8,924,609
Less accumulated depreciation for:				
Buildings	5,054,712	126,961	11,754	5,169,919
Land improvements	22,272	26,227	-	48,499
Machinery and equipment	963,968	81,015	-	1,044,983
Total accumulated depreciation	6,040,952	234,203	11,754	6,263,401
Total capital assets being depreciated, net	2,833,164	(66,176)	105,780	2,661,208
Governmental activities capital assets, net	\$ 2,843,164	(66,176)	105,780	2,671,208
Business type activities:				
Machinery and equipment	\$ 72,944	8,486	-	81,430
Less accumulated depreciation	45,199	2,468	-	47,667
Business type activities capital assets, net	\$ 27,745	6,018	-	33,763

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 11,050
Other	3,496
Support services:	
Transportation	66,469
	81,015
Unallocated depreciation	141,434
Total governmental activities depreciation expense	\$ 222,449
Business type activities:	
Food service operations	\$ 2,468

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Computer lease	\$ 43,570	-	21,181	22,389	22,389
Laptop lease	-	17,234	-	17,234	8,263
Instrument lease	-	3,848	-	3,848	3,848
Early Retirement	237,358	84,049	55,087	266,320	74,276
Compensated absences	6,829	10,532	6,829	10,532	10,532
Net OPEB liability	-	228,756	-	228,756	-
Total	\$ 287,757	344,419	83,097	549,079	119,308

Computer Lease

During the year ended June 30, 2009, the District entered into a computer lease agreement. The lease bears an annual interest rate of 5.71% and is payable from the Capital Projects Fund. Details of the District's indebtedness under the lease agreement as of June 30, 2010 is as follows:

Year Ending June 30,	Interest Rate		Principal	Interest	Total
2011	5.71 %	\$	22,389	1,277	23,666

Laptop Lease

During the year ended June 30, 2010, the District entered into a laptop lease agreement. The lease bears an annual interest rate of 10.02% and is payable from the Capital Projects Fund. Details of the District's indebtedness under the lease agreement as of June 30, 2010 is as follows:

Year Ending June 30,	Interest Rate		Principal	Interest	Total
2011	10.02 %	\$	8,263	1,650	9,913
2012	10.02		8,971	941	9,912
Total		\$	17,234	2,591	19,825

Instrument Lease

During the year ended June 30, 2010, the district entered into a lease agreement to purchase several large musical instruments. The lease bears an annual interest rate of 19.30% and is payable from the Capital Projects Fund. Details of the District's indebtedness under the lease agreement as of June 30, 2010 is as follows:

Year Ending June 30,	Interest Rate		Principal	Interest	Total
2011	19.30 %	\$	3,848	174	4,022

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-seven and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives paid by the District include the premiums for a single health insurance coverage policy. The District paid out \$55,087 in benefits during the year and had a balance of \$266,320 at June 30, 2010.

(7) 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 \$240,328, \$236,604 and \$223,780 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 74 active and 13 retired members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/vision benefit as active employees, which result in an implicit rate 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 which, 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	\$ 313,150
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>313,150</u>
Contributions made	<u>84,394</u>
Increases in net OPEB obligation	<u>228,756</u>
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 228,756</u></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 \$84,394 to the medical plan.

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:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
June 30, 2010	\$ 313,150	26.95%	\$ 228,756

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 \$2,732,588, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,732,588. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,162,799 and the ratio of the UAAL to covered payroll was 86.4%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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 include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 6%.

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$459 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. Iowa Star Schools is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools was set up for the purpose of managing and funding employee benefits. Iowa Star Schools provides coverage and protection in the following categories: medical. District contributions to Iowa Star for the year ended June 30, 2009 were \$580,458.

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

(10) 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 \$257,342 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.

(11) Deficit Unrestricted Net Assets

The District has a deficit unrestricted net assets balance in the Enterprise School Nutrition Fund of \$16,523.

(12) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Home school assistance program	\$ 1,140
Gifted and talented programs	22,940
Returning dropouts and dropout prevention programs	118,117
Beginning teacher mentoring and induction program	1,453
Teacher salary supplement	32,270
Iowa early intervention block grant	8,791
Professional development for model core curriculum	19,639
Professional development	34,275
	<hr/>
Total	\$ 238,625

RIVERSIDE

CARSON-MACEDONIA-OAKLAND

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,230,151	253,210	4,483,361	4,569,353	4,569,353	(85,992)
State sources	2,465,780	3,098	2,468,878	3,386,169	3,386,169	(917,291)
Federal sources	490,706	142,976	633,682	451,000	451,000	182,682
Total revenues	<u>7,186,637</u>	<u>399,284</u>	<u>7,585,921</u>	<u>8,406,522</u>	<u>8,406,522</u>	<u>(820,601)</u>
Expenditures/Expenses:						
Instruction	4,349,864	-	4,349,864	4,813,625	4,813,625	463,761
Support services	1,769,795	219	1,770,014	2,157,500	2,157,500	387,486
Non-instructional programs	-	383,209	383,209	474,671	474,671	91,462
Other expenditures	682,490	-	682,490	3,273,216	3,273,216	2,590,726
Total expenditures/expenses	<u>6,802,149</u>	<u>383,428</u>	<u>7,185,577</u>	<u>10,719,012</u>	<u>10,719,012</u>	<u>3,533,435</u>
Excess(deficiency) of revenues over(under)expenditures/expenses	384,488	15,856	400,344	(2,312,490)	(2,312,490)	2,712,834
Other financing sources, net	21,082	8,486	29,568	-	-	29,568
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	405,570	24,342	429,912	(2,312,490)	(2,312,490)	2,742,402
Balances beginning of year	3,399,494	27,423	3,426,917	3,496,737	3,496,737	(69,820)
Balances end of year	<u>\$ 3,805,064</u>	<u>51,765</u>	<u>3,856,829</u>	<u>1,184,247</u>	<u>1,184,247</u>	<u>2,672,582</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

RIVERSIDE 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)
2010	July 1, 2009	-	\$ 2,732,588	2,732,588	0.00%	\$ 3,162,799	86.40%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
Assets				
Cash and pooled investments	\$ 314,694	47,020	92,920	454,634
Receivables:				
Property tax:				
Delinquent	1,074	-	863	1,937
Succeeding year	175,000	-	274,832	449,832
Total assets	\$ 490,768	47,020	368,615	906,403
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	1,852	-	1,852
Deferred revenue:				
Succeeding year property tax	175,000	-	274,832	449,832
Total liabilities	175,000	1,852	274,832	451,684
Fund balances:				
Unreserved	315,768	45,168	93,783	454,719
Total liabilities and fund balances	\$ 490,768	47,020	368,615	906,403

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Fund				Debt Service	Total Other Nonmajor Governmental Funds
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds		
Revenues:						
Local sources:						
Local tax	\$ 124,505	-	88,788	213,293	-	213,293
Other	15,165	165,211	593	180,969	-	180,969
State sources	51	-	41	92	-	92
Total revenues	139,721	165,211	89,422	394,354	-	394,354
Expenditures:						
Current:						
Instruction:						
Other	-	164,037	-	164,037	-	164,037
Support services:						
Administration	59,671	-	-	59,671	-	59,671
Operation and maintenance of plant	109,012	-	-	109,012	-	109,012
Other expenditures:						
Facilities acquisition	-	-	40,578	40,578	-	40,578
Long-term debt:						
Principal	-	-	-	-	21,181	21,181
Interest and fiscal charges	-	-	-	-	2,485	2,485
Total expenditures	168,683	164,037	40,578	373,298	23,666	396,964
Excess(deficiency) of revenues over(under) expenditures	(28,962)	1,174	48,844	21,056	(23,666)	(2,610)
Other financing sources:						
Transfers in	-	-	-	-	23,666	23,666
Excess(deficiency)of revenues and other other financing sources over(under) expenditures	(28,962)	1,174	48,844	21,056	-	21,056
Fund balances beginning of year	344,730	43,994	44,939	433,663	-	433,663
Fund balances end of year	\$ 315,768	45,168	93,783	454,719	-	454,719

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Spring play	\$ 54	-	-	-	54
Speech	(352)	8	86	-	(430)
Vocal	306	191	-	-	497
Musical	1,438	-	-	-	1,438
MS vocal festival	198	-	-	-	198
6th grade opera	29	-	-	-	29
Band	8,396	191	621	-	7,966
JH band festival	584	-	-	-	584
Cross country	47	45	-	-	92
Basketball camp	233	4,325	4,284	-	274
Football camp	63	5,306	5,250	-	119
Baseball camp	758	-	-	-	758
Girls basketball camp	3	-	-	-	3
Volleyball camp	2,288	2,508	2,969	-	1,827
Softball clinic	2,124	1,735	1,743	-	2,116
Athletics	(23,264)	57,931	55,229	-	(20,562)
5th Grade Project	1,482	-	-	(1,482)	-
Dance Team	(313)	16,109	12,555	-	3,241
FFA	7,663	4,295	6,217	-	5,741
US West-Rold	20	-	-	-	20
1st grade-US West	418	-	-	-	418
MS student activities	11,693	15,453	28,076	4,114	3,184
Middle school library	503	2,517	2,486	-	534
FCCLA	(890)	4,297	2,978	-	429
ITAG grant	5	60	-	-	65
Annual	2,538	7,585	8,680	-	1,443
Football cheerleaders	920	1,480	730	-	1,670
HS pop fund	810	-	-	(810)	-
Business professionals of America	60	-	-	(60)	-
DC trip	3,072	-	-	-	3,072
International club	81	-	-	(81)	-
Student needs(civic donations)	5,226	231	27	-	5,430
MS student council	(3,016)	13,546	7,806	-	2,724
Library	241	-	-	-	241
North book fair	3,196	8,170	4,831	-	6,535
Preschool snack	985	1,015	1,772	-	228
National honor society	-	226	-	-	226
R club	666	852	820	-	698
Pep club	424	1,651	194	952	2,833
HS recognition area	1,314	-	657	-	657
Special ed. Needs(Putnam classroom)	626	313	692	-	247
8th grade team	1,499	-	-	(1,499)	-
HS student council	1,881	1,920	1,212	-	2,589
Wrestling cheerleader	603	960	2,220	-	(657)
PC TAG camp	(714)	80	-	-	(634)
Jump rope for heart	934	1,079	1,079	-	934
Art club	88	160	-	-	248
Cheerleaders/BB	212	-	-	-	212
7th grade team	340	-	-	(340)	-
6th grade team	794	-	-	(794)	-
Outdoor classroom	128	-	-	-	128
Science club	246	1,171	694	-	723
Class of 2009	2,678	-	-	-	2,678
Class of 2010	1,298	1,222	2,373	-	147
Class of 2011	2,533	7,607	7,642	-	2,498
Class of 2012	845	175	57	-	963
Class of 2013	-	797	57	-	740
Total	\$ 43,994	165,211	164,037	-	45,168

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund				
	Vickie Diane Lester Trust	Gilpin Scholarship	Knights of Columbus	Other Scholarships	Total
Assets					
Cash and pooled investments	\$ 50,000	10,011	100	6,430	66,541
Total assets	50,000	10,011	100	6,430	66,541
Liabilities	-	-	-	-	-
Net Assets					
Reserved for scholarships	\$ 50,000	10,011	100	6,430	66,541

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund				Total
	Vickie Diane Lester Trust	Gilpin Scholarship	Knights of Columbus	Other Scholarships	
Additions:					
Local sources:					
Gifts and contributions	\$ -	10,000	-	-	10,000
Interest income	-	11	-	5,746	5,757
	-	10,011	-	5,746	15,757
Changes in net assets	-	10,011	-	5,746	15,757
Net assets beginning of year	50,000	-	100	684	50,784
Net assets end of year	\$ 50,000	10,011	100	6,430	66,541

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2010	2009	2008	2007	2006	2005
Revenues:						
Local sources:						
Local tax	\$ 3,726,105	3,612,576	3,113,882	3,063,277	2,892,498	2,729,667
Tuition	122,083	154,795	169,227	113,999	110,783	113,448
Other	381,963	420,374	492,777	452,204	424,954	296,157
Intermediate sources	-	-	15,229	-	-	-
State sources	2,465,780	2,963,000	2,911,515	2,920,328	2,822,573	2,990,315
Federal sources	490,706	189,645	131,020	144,653	152,721	143,921
Total	\$ 7,186,637	7,340,390	6,833,650	6,694,461	6,403,529	6,273,508
Expenditures:						
Instruction:						
Regular	\$ 2,888,195	3,109,105	2,694,951	2,381,372	2,380,366	2,545,428
Special	878,157	865,248	835,938	803,953	830,959	883,740
Other	583,512	415,539	820,609	831,456	809,845	622,189
Support services:						
Student	132,161	188,921	189,734	180,071	184,844	190,846
Instructional staff	96,237	119,850	120,140	134,178	144,133	63,720
Administration	706,836	582,390	612,617	621,653	598,364	586,972
Operation and maintenance of plant	566,148	544,026	566,046	534,428	472,249	442,387
Transportation	268,413	251,994	295,056	438,144	360,060	271,719
Non-instructional programs:						
Food service operations	-	-	-	-	-	10,997
Other expenditures:						
Facilities acquisitions	401,482	234,265	382,908	365,101	484,305	115,785
Long-term debt:						
Principal	21,181	82,342	57,838	-	-	-
Interest	2,485	2,639	3,477	-	-	-
AEA flow-through	257,342	236,389	214,810	209,591	199,163	199,961
Total	\$ 6,802,149	6,632,708	6,794,124	6,499,947	6,464,288	5,933,744

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 24,527
National School Lunch Program	10.555	FY10	118,449 *
			<u>142,976</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	54,104
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	17,913
			<u>72,017</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	5,786
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	1,604
English Language Acquisition Grants	84.365	FY10	1,694
Improving Teacher Quality State Grants	84.367	FY10	33,761
Grants for State Assessments and Related Activities	84.369	FY10	2,943
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY10	282,896
Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	33,777
Special Education Grants to States, Recovery Act	84.391	FY10	56,228
			<u>90,005</u>
Total			<u>\$ 633,682</u>

* -Includes \$24,009 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Riverside 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 Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of
Riverside Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riverside Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 21, 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 Riverside Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Riverside Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverside Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 and other deficiencies we consider to be significant deficiencies.

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 II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned costs as items II-C-10 and II-D-10 to be significant deficiencies.

Compliance and Other Matters

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

Riverside 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 Riverside Community School District's responses and, accordingly, we express no opinion on them.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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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
Riverside Community School District:

Compliance

We have audited the compliance of Riverside Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Riverside 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 grant agreements applicable to each of its major federal programs is the responsibility of Riverside Community School District's management. Our responsibility is to express an opinion on Riverside Community School District's compliance based on our audit.

We conducted our audit on compliance in accordance with U.S. generally accepted accounting 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, Audits of States, Local Governments, and Non-Profit Organizations. 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 Riverside 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 Riverside Community School District's compliance with those requirements.

In our opinion, Riverside 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 Riverside Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Riverside 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 Riverside 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 that we consider to be a material weakness.

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 III-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control over compliance that is less severe than a material weakness, 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 items III-B-10 to be significant deficiency.

Riverside Community School District's responses to the 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 Riverside Community School District's responses and, accordingly, we express no opinion on them.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2011

RIVERSIDE 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) A significant deficiency and 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 material weakness in internal control over the major programs was 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 no 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.
 - Clustered programs:
 - 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) Riverside Community School District did not qualify as a low-risk auditee.

RIVERSIDE 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:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The District will continue to review procedure and make every effort to distribute the workload to achieve maximum controls.

Conclusion - Response accepted.

II-B-10 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and deprecation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District's records required numerous end of year adjustments. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

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

Response - Training needs continue to be evaluated and the necessary training will be sought. Journal entries will be reviewed to determine allocation to the correct accounts at payment and/or receipt posting.

Conclusion - Response accepted.

II-C-10 Grants - We noted during our audit, that when expenditures for specific projects were posted, expenses were not always properly posted to those projects.

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

Response - Coding of expenses will be reviewed and if necessary, additional information will be solicited from the originator to assist in determining the proper project.

Conclusion - Response accepted.

II-D-10 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation is not performed after the event.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will re-evaluate its cash handling process. Currently all cash boxes start with the same amount, and are counted by multiple individuals after the event. Receipts are created by the person making the deposit and a copy of supporting documentation is sent to the central office. The District will investigate methods to implement the use of pre-numbered tickets.

Conclusion -Response accepted.

II-E-10 Checks Written to Cash - We noted checks written payable to “cash” from the Student Activity Fund to be used for student meal money at state tournaments or on trips. Checks written payable to “cash” are considered bearer paper which anyone could cash if they were to be lost or stolen.

Recommendation – The District should refrain from writing checks payable to “cash” only. A better practice would be to also include the name of the custodian taking the check to the bank to obtain the cash.

Response - This process has been discontinued. In the future, checks will be made payable to coaches or sponsors who are responsible for the handling of the funds.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

RIVERSIDE 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
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

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The District will continue to review procedure and make every effort to distribute the workload to achieve maximum controls.

Conclusion - Response accepted.

III-B-10 Grants - We noted during our audit of the ARRA - State Fiscal Stabilization Fund(SFSF) - Education State Grants, that when expenditures for specific projects were posted, expenses were not always properly posted to those projects.

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

Response - Coding of expenses will be reviewed and if necessary, additional information will be solicited from the originator to assist in determining the proper project.

Conclusion - Response accepted.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 did not exceed the certified budget amounts in any functional area.

IV-B-10 Questionable Disbursements -

Gift Certificates - We noted that gift certificates were purchased from the H.S. recognition account in the Student Activity Fund and awarded to students as incentives for good behavior. Giving cash or gift certificates/cards to students as incentives does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - The District understands the importance of proper uses of Student Activity Funds and the process of Gift Certificates will be discontinued.

Conclusion -Response accepted.

Clothing Purchased for Coaches - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - Clothing used by coaches will be returned at the end of the season or be purchased by the coach if not returned.

Conclusion - Response accepted.

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

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Wax, Teacher Owns Wax's Lawn Service	Lawn Services	\$460
Rhonda Crumley, Paraeducator Owns M&R Mowing	Lawn Services	\$12,780
Dan Ives, Board Member Coach	Coaching	\$2,500

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

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

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

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were certified as open enrolled out was understated by one student. We also noted that the number certified as resident students was overstated by one student.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

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

IV-I-10 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District owns Principal Financial stock. This would be non-compliant with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

Recommendation - The District should sell the stock, and invest in an investment within compliance of the District policy number 704.3, Chapter 12B and Chapter 12C of the Code of Iowa.

Response - We are investigating alternatives for removing the Principal stock from our investments and will do so in order to comply with District policy and Code of Iowa Chapters.

Conclusion - Response accepted.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

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

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June, 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	343,123
Statewide sales and services tax revenue			569,223
Expenditures/transfers out:			
School infrastructure:			
Land	\$	19,030	
Buildings		230,093	
Equipment		130,811	
Debt service for school infrastructure:			
Computer lease		23,666	403,600
Ending balance		\$	<u>508,746</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 1.34	\$ 361,938

IV-M-10 Deficit Balances - The District had deficit unrestricted assets in the Enterprise, School Nutrition Fund of \$16,523. The District also had negative accounts in the Special Revenue, Student Activity Fund totaling \$22,283.

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

Response - Deficit balances will be reviewed and corrected as recommended.

Conclusion - Response accepted.

IV-N-10 District and Regional Rents - We noted the District receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events into the Student Activity Fund. Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund.

Recommendation - In the future, the District should receipt rent collected for facility usage into the General Fund.

Response - Coding procedures will be reviewed to correct this process.

Conclusion - Response accepted.

IV-O-10 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys 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. More specific examples of these instances of questioned items and recommendations are as follows:

Donations/Commissions: We noted donations from Target and Life Touch commissions recorded in the Student Activity Fund.

Recommendation - Target donations are generally for instructional purposes and, therefore, more appropriately recorded in the General Fund. All commissions should be recorded in the General Fund including Life Touch commissions. If a donation is undesignated, the District's Board of Directors can allocate such monies for any allowable use. In those instances, the designation should be noted annually in the District's board minutes.

Response - Donations designated for special purposes will be deposited in the General Fund. Commissions will be recorded in the General Fund.

Conclusion - Response accepted.

Interest Allocation: We noted that the District received interest on Student Activity Funds, but that interest was not allocated to the various Student Activity Fund accounts.

Recommendation - The interest earned each year should be allocated out on an annual basis to the individual activity accounts.

Response - We will develop a policy addressing the equitable allocation of Student Activity Fund interest earned on an annual basis.

Conclusion - Response accepted.

IV-P-10 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - Contracts have been modified to include a designated area for the Board President to sign.

Conclusion - Response accepted.