

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District, Correctionville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District at June 30, 2011, 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 February 28, 2012, on our consideration of River Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise River Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

February 28, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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River Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

### REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

#### *Government-wide Financial Statements*

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	%
Current and other assets	4,309,339	4,128,977	54,431	59,755	4,363,770	4,188,732	4
Capital assets	6,729,811	6,780,315	21,596	29,704	6,751,407	6,810,019	-1
<b>Total assets</b>	<b>11,039,150</b>	<b>10,909,292</b>	<b>76,207</b>	<b>89,459</b>	<b>11,115,177</b>	<b>10,998,751</b>	<b>1</b>
Long-term liabilities	2,902,071	3,265,109	677	464	2,902,748	3,265,573	-11
Other liabilities	2,693,816	2,659,497	4,129	9,426	2,697,945	2,668,923	1
<b>Total liabilities</b>	<b>5,595,887</b>	<b>5,924,606</b>	<b>4,806</b>	<b>9,890</b>	<b>5,600,693</b>	<b>5,934,496</b>	<b>-6</b>
Net Assets:							
Invested in capital assets, net of related debt	3,894,811	3,600,315	21,596	29,704	3,916,407	3,630,019	8
Restricted	768,147	556,087			768,147	556,087	38
Unrestricted	780,305	828,284	49,625	49,865	829,930	878,149	-5
<b>TOTAL NET ASSETS</b>	<b>5,443,263</b>	<b>4,984,686</b>	<b>71,221</b>	<b>79,569</b>	<b>5,514,484</b>	<b>5,064,255</b>	<b>9</b>

The District's combined total net assets increased by nearly 9%, or approximately \$450,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$212,000 or 36% over the prior year. The increase was due to sales tax monies that were collected in the current year, but will be used to finance future school infrastructure expenditures.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$48,000, or 5%. This reduction in unrestricted net assets was a result of the District using available funds to meet expense obligations.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	419,311	413,359	104,144	167,460	523,455	580,819	-10
Operating grants & contributions	935,051	948,133	143,399	135,765	1,078,450	1,083,898	-
Capital grants & contributions	16,135	52,262			16,135	52,262	-69
General Revenues:							
Property taxes	2,067,222	1,929,612			2,067,222	1,929,612	7
Income surtax	204,441	268,440			204,441	268,440	-24
Sales tax	336,301	351,618			336,301	351,618	-4
Unrestricted state grants	1,545,530	1,350,983			1,545,530	1,350,983	14
Unrestricted investment earnings	7,142	6,327	111	125	7,253	6,452	12
Other revenue	11,523	60,153			11,523	60,153	-81
<b>Total Revenues</b>	<b>5,542,656</b>	<b>5,380,887</b>	<b>247,654</b>	<b>303,350</b>	<b>5,790,310</b>	<b>5,684,237</b>	<b>2</b>
Expenses:							
Instruction	3,047,445	3,015,769			3,047,445	3,015,769	1
Support services	1,429,824	1,433,542			1,429,824	1,433,542	-
Non-instructional programs		6,391	229,105	285,290	229,105	291,681	-21
Other expenditures	633,707	554,222			633,707	554,222	14
<b>Total expenses</b>	<b>5,110,976</b>	<b>5,009,924</b>	<b>229,105</b>	<b>285,290</b>	<b>5,340,081</b>	<b>5,295,214</b>	<b>1</b>
<b>Change in net assets before transfers</b>	<b>431,680</b>	<b>370,963</b>	<b>18,549</b>	<b>18,060</b>	<b>450,229</b>	<b>389,023</b>	<b>16</b>
Transfers	26,897		-26,897				
<b>CHANGE IN NET ASSETS</b>	<b>458,577</b>	<b>370,963</b>	<b>-8,348</b>	<b>18,060</b>	<b>450,229</b>	<b>389,023</b>	<b>16</b>
Net assets beginning of year	4,984,686	4,613,723	79,569	61,509	5,064,255	4,675,232	8
Net assets end of year	5,443,263	4,984,686	71,221	79,569	5,514,484	5,064,255	9

In fiscal year 2011 property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 2% increase in revenues and a 1% increase in expenses. Property tax increased \$137,610 to fund increases in expenses. The increase in expenses is related primarily to increases in the "other expenditures" category which would include higher costs for building repairs.

### Governmental Activities

Revenues for governmental activities were \$5,542,656 and expenses were \$5,110,976. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

### Business Type Activities

Revenues for business type activities were \$247,654 and expenses were \$229,105. Current year business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for

service, federal and state reimbursements and investment income. In the prior year the District's preschool was also included as a business type activity. The preschool activity was moved to the General Fund in fiscal year 2011 as required by state preschool funding.

## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,376,222, well above last year's ending fund balances of \$1,220,305. The primary reason for the increase in combined fund balances in fiscal 2011 is a combinations of more revenue received from local tax and state sources and less expenditures in the area of facilities acquisitions.

### **Governmental Fund Highlights**

- The District was able to hold its own with a minimal increase in General Fund balance of \$15,423. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues was enough to offset the District's increase in General Fund expenditures.
- The Debt Service Fund balance decreased from \$13,476 at the end of fiscal year 2010 to \$12,145 at the end of fiscal year 2011. Revenues and expenditures did not vary significantly from the prior year.
- The Management Fund reduced its fund balance by \$30,833 for fiscal year 2011. Reduction in fund balance was due to less local tax received. The Management Fund exhibited a very substantial beginning fund balance and it was a decision of the Board of Education to reduce the levy rate thus generating less property tax dollars for 2011. The Management Fund balance, in the amount of \$240,627, is identified as a restricted fund balance and cannot be used for other purposes other than Iowa Code identified expenditures for this appropriate fund.
- The Activity Fund reduced its fund balance by \$12,741 for fiscal year 2011. The reduction is due to an auditor recommendation that funds from the Elementary Fundraiser be moved to the general fund due to the nature of the expenditures. Iowa Code prohibits any type of instructional supplies to be purchased out of the athletic fund and several items purchased through the Elementary fundraiser were identified as instructional supplies. The Activity Fund balance, in the amount of \$56,876, is identified as a restricted fund balance and cannot be used for other purposes other than Iowa Code identified expenditures for this appropriate fund.
- Starting with 2011 audit the Physical Plant and Equipment Fund (PPEL) has been included in the figures representing Capital Projects. The Capital Projects Fund consists of PPEL and School infrastructure (SAVE or also know as LOSST) funds. The PPEL ending fund balance is \$54,746, is a decrease of \$252. The School infrastructure ending fund balance is \$246,417, is an increase of \$185,651 and is due primary to less expenditures relating to facilities acquisitions (building projects/repairs) than the previous year. The PPEL and School infrastructure fund balances are identified as restricted fund balances and cannot be used for other purposes other than Iowa Code identified expenditures for these funds.

### **Proprietary Fund Highlights**

The District had two proprietary funds during fiscal year 2010, the Preschool Fund and the School Nutrition Fund. The accounting for the District's preschool program was moved to the General Fund during fiscal year 2011 due to new state funding received for the program. The \$26,897 of net assets in the Preschool Fund at June 30, 2010 were transferred to the General Fund in fiscal year 2011.

School Nutrition Fund net assets increased by \$18,549 or 35%. Increased eligibility for federal School Nutrition Program subsidies offset lower revenues from local charges for meals served.

## BUDGETARY HIGHLIGHTS

The District's receipts were \$5,626 more than budgeted receipts. Total expenditures were \$89,036 more than budgeted expenditures, due primarily to the District's budget for the Capital Projects. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in other expenditures area. This was due to estimates being too low for expenditures in Capital Projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$6.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$299,240.

Figure A-6

#### Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2011-2010 %
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Land	19,689	19,689			19,689	19,689	0
Construction in progress	5,226	-	-	-	5,226	-	0
Buildings	5,985,166	6,141,427	-	-	5,985,166	6,141,427	-2
Improvements	285,455	311,658	-	-	285,455	311,658	-8
Equipment & furniture	434,275	307,541	21,596	29,704	455,871	337,245	35
<b>TOTAL</b>	<b>6,729,811</b>	<b>6,780,315</b>	<b>21,596</b>	<b>29,704</b>	<b>6,751,407</b>	<b>6,810,019</b>	<b>-1</b>

### Long-Term Debt

At June 30, 2011 the District had \$2,865,248 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 11% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District's general obligation bonds were not rated at June 30, 2011. In March 2012 the bonds were rated A+ by a national ratings agency.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$8,042,053.

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

	<b>Total School District</b>		<b>Percentage</b>
	<b>2011</b>	<b>2010</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>2011-2010</b>
			<b>%</b>
General obligation bonds	2,835,000	3,180,000	-11
Early retirement	-	26,039	-100
Compensated absences	1,812	4,161	-56
Net OPEB liability	29,113	13,289	119
	<u>2,865,925</u>	<u>3,223,489</u>	<u>-11</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District's enrollment decreased by 20.5 students per the October 2011 certified enrollment. This represents a loss of \$123,205 in funding. This will have an adverse effect upon the 2012-2013 budget. School financing is highly dependent upon student enrollment.
- The District will be offering an early retirement policy for the 2011-2012 school year to certified staff and administration with a limit of six applications for approval. The District offers this policy as an avenue to reduce salaries thru a combination of positions being absorbed by current staff members, some positions not being replaced and hiring of replacement positions at a lower salary.
- The District received modified allowable growth in the amount of \$23,075 as a result of increased open enrollment students for the 2011-2012 school year. The District received the authority to increase their budget by this amount but there was no funding dollars received. This increased our spending authority but not our cash. The District anticipates a cash reserve levy thru our 2012-2013 budget to recoup these costs.
- Through the increase in revenues for fiscal year 2011 the District was able to fund increases in expenditures to some degree. The increase in expenditures was due primarily to negotiated salaries and benefits, instructional supplies/textbook purchases, technology including IPADS/whiteboards/new computers and a special bus purchased out of the general fund.
- The District continues to be proactive in the maintenance of their facilities. Projects that were completed in 2010-2011 were: new carpet at the Jr/Sr High school; epoxy floors at the Jr/Sr High school; library shelving in the media center; playground equipment; new fencing and sidewalk at the elementary and Jr/Sr High school; new doors at the elementary; new towers for internet service; and additional parking lot at the Correctionville site. The projects were funded with SAVE (previously known as LOSST or Local Option Sales and Service Tax) and Physical Plant and Equipment (PPEL) dollars.

- Fiscal 2012 is the first year of a two-year contract with the River Valley Community Schools Educational Support Personnel. The District will negotiate a new agreement during fiscal 2012 with the River Valley Education Association. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.

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

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cynthia Dittmer, District Secretary/Treasurer and Business Manager, River Valley Community Schools, 916 Hackberry Street, Correctionville, IA 51016.

## BASIC FINANCIAL STATEMENTS

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	1,763,655	42,908	1,806,563
Receivables:			
Property tax:			
Delinquent	24,257	-	24,257
Succeeding year	2,176,105	-	2,176,105
Accounts	307	-	307
Due from other governments	306,462	4,263	310,725
Inventories	-	7,260	7,260
Unamortized bond issue costs	38,553	-	38,553
Capital assets, net of accumulated depreciation	6,729,811	21,596	6,751,407
<b>Total assets</b>	<u>11,039,150</u>	<u>76,027</u>	<u>11,115,177</u>
<b>Liabilities</b>			
Accounts payable	78,967	1,415	80,382
Salaries and benefits payable	382,856	-	382,856
Accrued interest payable	9,450	-	9,450
Deferred revenue:			
Succeeding year property tax	2,176,105	-	2,176,105
Other	46,438	2,714	49,152
Long-term liabilities:			
Unamortized bond premium	36,823	-	36,823
Portion due within one year:			
General obligation bonds payable	355,000	-	355,000
Compensated absences	1,812	-	1,812
Portion due after one year:			
General obligation bonds payable	2,480,000	-	2,480,000
Net OPEB liability	28,436	677	29,113
<b>Total liabilities</b>	<u>5,595,887</u>	<u>4,806</u>	<u>5,600,693</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,894,811	21,596	3,916,407
Restricted for:			
Categorical funding	166,786	-	166,786
Management levy	240,627	-	240,627
Physical plant and equipment levy	54,746	-	54,746
Student activities	56,876	-	56,876
School infrastructure	246,417	-	246,417
Debt service	2,695	-	2,695
Unrestricted	780,305	49,625	829,930
<b>Total net assets</b>	<u>5,443,263</u>	<u>71,221</u>	<u>5,514,484</u>

See notes to financial statements.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	2,183,599	243,637	602,749	-
Special	406,702	60,650	60,457	-
Other	457,144	114,960	87,070	-
	<u>3,047,445</u>	<u>419,247</u>	<u>750,276</u>	<u>-</u>
<b>Support services:</b>				
Student	79,590	-	-	-
Instructional staff	141,280	-	-	-
Administration	521,031	-	-	-
Operation and maintenance of plant	387,038	64	-	-
Transportation	300,885	-	469	-
	<u>1,429,824</u>	<u>64</u>	<u>469</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	145,789	-	-	16,135
Long-term debt interest	121,239	-	91	-
AEA flowthrough	184,215	-	184,215	-
Depreciation (unallocated)*	182,464	-	-	-
	<u>633,707</u>	<u>-</u>	<u>184,306</u>	<u>16,135</u>
<b>Total governmental activities</b>	<b>5,110,976</b>	<b>419,311</b>	<b>935,051</b>	<b>16,135</b>
<b>Business type activities:</b>				
Food service operations	229,105	104,144	143,399	-
<b>Total</b>	<b>5,340,081</b>	<b>523,455</b>	<b>1,078,450</b>	<b>16,135</b>

**General Revenues:**

Property taxes levied for:  
  General purposes  
  Debt service  
  Capital outlay  
Income surtax  
Statewide sales, services and use tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total general revenues

Transfers

Total general revenues and transfers

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,337,213)	-	(1,337,213)
(285,595)	-	(285,595)
(255,114)	-	(255,114)
<u>(1,877,922)</u>	<u>-</u>	<u>(1,877,922)</u>
(79,590)	-	(79,590)
(141,280)	-	(141,280)
(521,031)	-	(521,031)
(386,974)	-	(386,974)
(300,416)	-	(300,416)
<u>(1,429,291)</u>	<u>-</u>	<u>(1,429,291)</u>
(129,654)	-	(129,654)
(121,148)	-	(121,148)
-	-	-
(182,464)	-	(182,464)
<u>(433,266)</u>	<u>-</u>	<u>(433,266)</u>
(3,740,479)	-	(3,740,479)
-	18,438	18,438
<u>(3,740,479)</u>	<u>18,438</u>	<u>(3,722,041)</u>
1,570,323	-	1,570,323
445,931	-	445,931
50,968	-	50,968
204,441	-	204,441
336,301	-	336,301
1,545,530	-	1,545,530
7,142	111	7,253
11,523	-	11,523
<u>4,172,159</u>	<u>111</u>	<u>4,172,270</u>
<u>26,897</u>	<u>(26,897)</u>	<u>-</u>
<u>4,199,056</u>	<u>(26,786)</u>	<u>4,172,270</u>
458,577	(8,348)	450,229
<u>4,984,686</u>	<u>79,569</u>	<u>5,064,255</u>
<u>5,443,263</u>	<u>71,221</u>	<u>5,514,484</u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	General	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	1,227,715	6,920	529,020	1,763,655
Receivables:				
Property tax:				
Delinquent	17,851	5,225	1,181	24,257
Succeeding year	1,603,905	418,900	153,300	2,176,105
Accounts	307	-	-	307
Interfund receivable	-	-	19,594	19,594
Due from other governments	250,003	-	56,459	306,462
<b>Total assets</b>	<b>3,099,781</b>	<b>431,045</b>	<b>759,554</b>	<b>4,290,380</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	78,373	-	594	78,967
Salaries and benefits payable	382,856	-	-	382,856
Interfund payable	12,600	-	6,994	19,594
Deferred revenue:				
Succeeding year property tax	1,603,905	418,900	153,300	2,176,105
Income surtax	210,198	-	-	210,198
Other	46,438	-	-	46,438
Total liabilities	2,334,370	418,900	160,888	2,914,158
Fund balances:				
Restricted for:				
Categorical funding	166,786	-	-	166,786
Debt service	-	12,145	-	12,145
Management levy	-	-	240,627	240,627
Student activities	-	-	56,876	56,876
School infrastructure	-	-	246,417	246,417
Physical plant and equipment	-	-	54,746	54,746
Unassigned	598,625	-	-	598,625
Total fund balances	765,411	12,145	598,666	1,376,222
<b>Total liabilities and fund balances</b>	<b>3,099,781</b>	<b>431,045</b>	<b>759,554</b>	<b>4,290,380</b>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,376,222
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,729,811
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	210,198
Bond issue costs are an expense when incurred in the governmental funds, but are capitalized and amortized for the life of the bonds for the government-wide financial statements.	38,553
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,450)
Long-term liabilities, including bonds payable, bond premium, compensated absences and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,902,071)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>5,443,263</u></u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,730,470	445,931	437,080	2,613,481
Tuition	204,309	-	-	204,309
Other	110,032	91	137,221	247,344
State sources	2,121,974	297	67	2,122,338
Federal sources	358,152	-	-	358,152
Total revenues	<u>4,524,937</u>	<u>446,319</u>	<u>574,368</u>	<u>5,545,624</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,158,189	-	47,717	2,205,906
Special	424,155	-	-	424,155
Other	357,766	-	97,906	455,672
	<u>2,940,110</u>	<u>-</u>	<u>145,623</u>	<u>3,085,733</u>
Support services:				
Student	79,222	-	-	79,222
Instructional staff	125,939	-	-	125,939
Administration	511,631	-	-	511,631
Operation and maintenance of plant	350,188	-	33,156	383,344
Transportation	374,284	-	8,748	383,032
	<u>1,441,264</u>	<u>-</u>	<u>41,904</u>	<u>1,483,168</u>
Other expenditures:				
Facilities acquisition	-	-	193,387	193,387
Long-term debt:				
Principal	-	345,000	-	345,000
Interest and fiscal charges	-	127,650	-	127,650
AEA flowthrough	184,215	-	-	184,215
	<u>184,215</u>	<u>472,650</u>	<u>193,387</u>	<u>850,252</u>
Total expenditures	<u>4,565,589</u>	<u>472,650</u>	<u>380,914</u>	<u>5,419,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,652)</u>	<u>(26,331)</u>	<u>193,454</u>	<u>126,471</u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	457	-	-	457
Sales of equipment	2,092	-	-	2,092
Operating transfers in	53,526	25,000	-	78,526
Operating transfers out	-	-	(51,629)	(51,629)
Total other financing sources (uses)	<u>56,075</u>	<u>25,000</u>	<u>(51,629)</u>	<u>29,446</u>
Net change in fund balances	15,423	(1,331)	141,825	155,917
Fund balances beginning of year, as restated	<u>749,988</u>	<u>13,476</u>	<u>456,841</u>	<u>1,220,305</u>
Fund balances end of year	<u><u>765,411</u></u>	<u><u>12,145</u></u>	<u><u>598,666</u></u>	<u><u>1,376,222</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		155,917
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	236,090	
Depreciation expense	<u>(286,594)</u>	(50,504)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		(5,517)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		345,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		1,150
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	26,039	
Compensated absences	2,349	
Other postemployment benefits	<u>(15,611)</u>	12,777
Bond issue costs are reported as expenses in the fund financial statements when incurred, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		
		(5,507)
Bond premiums are reported as revenue in the governmental fund financial statements when incurred, but are amortized over the life of the bonds in the government-wide financial statements.		
		<u>5,261</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>458,577</u></u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	42,908
Due from other governments	4,263
Inventories	7,260
Capital assets, net of accumulated depreciation	<u>21,596</u>
<b>Total assets</b>	<u>76,027</u>
<b>Liabilities</b>	
Accounts payable	1,415
Deferred revenue	2,714
Net OPEB liability	<u>677</u>
<b>Total liabilities</b>	<u>4,806</u>
<b>Net assets</b>	
Invested in capital assets	21,596
Unrestricted	<u>49,625</u>
<b>Total net assets</b>	<u><u>71,221</u></u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>104,144</u>
Operating expenses:	
Non-instructional programs:	
Salaries	74,395
Benefits	16,152
Purchased services	2,399
Supplies	122,206
Depreciation	12,646
Other	<u>1,307</u>
Total operating expenses	<u>229,105</u>
Operating income (loss)	<u>(124,961)</u>
Non-operating revenues:	
State sources	2,309
Federal sources	141,090
Interest income	111
Total non-operating revenues	<u>143,510</u>
Income (loss) before transfers	18,549
Transfers in (out)	<u>(26,897)</u>
Change in net assets	(8,348)
Net assets beginning of year	<u>79,569</u>
Net assets end of year	<u><u>71,221</u></u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	104,530
Cash received from preschool services	15,190
Cash payments to employees for services	(97,320)
Cash payments to suppliers for goods or services	(116,955)
Net cash used by operating activities	<u>(94,555)</u>
Cash flows from non-capital financing activities:	
Interfund loan received (repaid)	(335)
Transfers from (to) other funds	(26,897)
State grants received	2,309
Federal grants received	124,786
Net cash provided by non-capital financing activities	<u>99,863</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(4,538)</u>
Cash flows from investing activities:	
Interest on investments	<u>111</u>
Net increase (decrease) in cash and cash equivalents	881
Cash and cash equivalents at beginning of year	<u>42,027</u>
Cash and cash equivalents at end of year	<u><u>42,908</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(124,961)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	12,041
Depreciation	12,646
Decrease (increase) in inventories	(4,499)
Decrease (increase) in accounts receivable	15,302
(Decrease) increase in accounts payable	1,415
(Decrease) increase in salaries and benefits payable	(6,986)
(Decrease) increase in deferred revenue	274
(Decrease) increase in other postemployment benefits	213
Net cash used by operating activities	<u><u>(94,555)</u></u>

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

During the year ended June 30, 2011, the District received \$12,041 of federal commodities.

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	164,309
Accrued interest receivable	<u>394</u>
<b>Total assets</b>	164,703
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>164,703</u></u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	300
Interest	<u>2,321</u>
Total additions	2,621
Deductions:	
Support services:	
Scholarships awarded	<u>3,089</u>
Change in net assets	(468)
Net assets beginning of year	<u>165,171</u>
Net assets end of year	<u><u>164,703</u></u>

# RIVER VALLEY COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

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

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

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

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

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

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

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

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

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

Fund Equity – In the governmental fund financial statements fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust. Which are valued at an amortized cost of \$507,766 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Nonmajor Governmental, Capital Projects Fund	General Fund	12,600
Nonmajor Governmental, Capital Projects Fund	Nonmajor Governmental, Management Fund	6,994

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

### 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Nonmajor Governmental, Capital Projects Fund	25,000
General Fund	Nonmajor Governmental, Student Activity Fund	26,629
General Fund	Nonmajor Enterprise, Preschool Fund	26,897

The transfer from the Capital Projects Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The transfer from the Student Activity Fund to the General Fund reclassified accounts that should be in the General Fund instead of the Student Activity Fund.

The transfer from the Preschool Fund to the General Fund was made to close the preschool fund.

### 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	-	5,226	-	5,226
Land	19,689	-	-	19,689
Total capital assets not being depr.	<u>19,689</u>	<u>5,226</u>	<u>-</u>	<u>24,915</u>
Capital assets being depreciated:				
Buildings	7,690,677	-	-	7,690,677
Improvements other than buildings	524,056	-	-	524,056
Furniture and equipment	1,196,614	230,864	-	1,427,478
Total capital assets being deprec.	<u>9,411,347</u>	<u>230,864</u>	<u>-</u>	<u>9,642,211</u>
Less accumulated depreciation for:				
Buildings	1,549,250	156,261	-	1,705,511
Improvements other than buildings	212,398	26,203	-	238,601
Furniture and equipment	889,073	104,130	-	993,203
Total accumulated depreciation	<u>2,650,721</u>	<u>286,594</u>	<u>-</u>	<u>2,937,315</u>
Total capital assets being depreciated, net	<u>6,760,626</u>	<u>(55,730)</u>	<u>-</u>	<u>6,704,896</u>
Governmental activities capital assets, net	<u><u>6,780,315</u></u>	<u><u>(50,504)</u></u>	<u><u>-</u></u>	<u><u>6,729,811</u></u>
<b>Business type activities:</b>				
Furniture and equipment	204,338	4,538	-	208,876
Less accumulated depreciation	<u>174,634</u>	<u>12,646</u>	<u>-</u>	<u>187,280</u>
Business type activities capital assets, net	<u><u>29,704</u></u>	<u><u>(8,108)</u></u>	<u><u>-</u></u>	<u><u>21,596</u></u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	14,979
Special	7,678
Support services:	
Instructional staff	14,605
Administration	4,034
Operation and maintenance of plant services	2,222
Transportation	<u>60,612</u>
Unallocated depreciation	<u>104,130</u>
Total depreciation expense – governmental activities	<u><u>286,594</u></u>
Business type activities:	
Food service	<u>12,646</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
<b>Governmental activities:</b>					
General obligation bonds	3,180,000	-	345,000	2,835,000	355,000
Termination benefits	26,039	-	26,039	-	-
Compensated absences	4,161	-	2,349	1,812	1,812
Net OPEB liability	12,825	15,611	-	28,436	-
<b>Total</b>	<b>3,223,025</b>	<b>15,611</b>	<b>373,388</b>	<b>2,865,248</b>	<b>356,812</b>
<b>Business type activities:</b>					
Net OPEB liability	464	213	-	677	-

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

2005 Crossover Refunding Bond Issue				
Year Ended June 30,	Interest Rates	Principal	Interest	Total
		\$	\$	\$
2012	4.0	355,000	113,400	468,400
2013	4.0	375,000	99,200	474,200
2014	4.0	385,000	84,200	469,200
2015	4.0	405,000	68,800	473,800
2016	4.0	420,000	52,600	472,600
2017-2018	4.0	895,000	54,200	949,200
<b>Total</b>		<b>2,835,000</b>	<b>472,400</b>	<b>3,307,400</b>

**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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$182,798, \$132,351 and \$163,664 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 and prescription drug benefits for retirees and their spouses. There are 78 active and no retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	17,847
Interest on net OPEB obligation	332
Adjustment to annual required contribution	<u>(1,453)</u>
Annual OPEB cost	16,726
Contributions made	<u>902</u>
Increase in net OPEB obligation	15,824
Net OPEB obligation beginning of year	<u>13,289</u>
Net OPEB obligation end of year	<u>29,113</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, 2011.

For the year ended June 30, 2011, the District contributed \$902 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, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$		\$
2010	16,386	19%	13,289
2011	16,726	5%	29,113

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$119,453, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$119,453. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,740,000, and the ratio of the UAAL to covered payroll was 6.9%. As of June 30, 2011, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000.

The UAAL is being amortized over 30 years.

**9. Risk Management**

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

**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 \$184,215 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**11. Lease Commitment**

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

Year Ended June 30	Lease Payment
	\$
2012	20,352
2013	20,352
2014	1,696

**12. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Limited English proficient	3,525
At risk	13,982
Returning dropout and dropout prevention program	40,416
Mentoring	728
Teacher salary supplement	58,978
Home school assistance program	7,196
Educator quality, professional development	19,288
Core curriculum	20,026
Market factor	2,647
	<u>166,786</u>

### 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
	\$	\$
Balances June 30, 2010, as previously reported	60,766	54,998
Change in fund type classification per implementation of GASB Statement No. 54	<u>54,998</u>	<u>54,998</u>
Balances July 1, 2010, as restated	<u>115,764</u>	<u>-</u>

### 14. Construction Commitment

The District has entered into agreements totaling approximately \$20,000 for a concession stand. As of June 30, 2011 costs of \$5,226 had been incurred for the project. The balances remaining at June 30, 2011 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,065,134	104,255	3,169,389	3,155,179	3,155,179	14,210
State sources	2,122,338	2,309	2,124,647	2,332,475	2,332,475	(207,828)
Federal sources	358,152	141,090	499,242	300,000	300,000	199,242
Total revenues	<u>5,545,624</u>	<u>247,654</u>	<u>5,793,278</u>	<u>5,787,654</u>	<u>5,787,654</u>	<u>5,624</u>
Expenditures/Expenses:						
Instruction	3,085,733	-	3,085,733	3,251,660	3,251,660	165,927
Support services	1,483,168	-	1,483,168	1,631,086	1,631,086	147,918
Non-instructional programs	-	229,105	229,105	245,000	245,000	15,895
Other expenditures	850,252	-	850,252	609,548	609,548	(240,704)
Total expenditures/expenses	<u>5,419,153</u>	<u>229,105</u>	<u>5,648,258</u>	<u>5,737,294</u>	<u>5,737,294</u>	<u>89,036</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	126,471	18,549	145,020	50,360	50,360	94,660
Other financing sources (uses) net	<u>29,446</u>	<u>(26,897)</u>	<u>2,549</u>	<u>-</u>	<u>-</u>	<u>2,549</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	155,917	(8,348)	147,569	50,360	50,360	97,209
Balance beginning of year	<u>1,220,305</u>	<u>79,569</u>	<u>1,299,874</u>	<u>603,638</u>	<u>603,638</u>	<u>696,236</u>
Balance end of year	<u><u>1,376,222</u></u>	<u><u>71,221</u></u>	<u><u>1,447,443</u></u>	<u><u>653,998</u></u>	<u><u>653,998</u></u>	<u><u>793,445</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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

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

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

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	119,273	119,273	0.0%	1,480,000	8.1%
2011	July 1, 2009	-	119,453	119,453	0.0%	1,740,000	6.9%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

Assets	Special Revenue Funds			Total
	Management	Student	Capital	
	Levy	Activity	Projects	
	\$	\$	\$	\$
Cash and pooled investments	247,037	56,876	225,107	529,020
Receivables:				
Property tax:				
Delinquent	584	-	597	1,181
Succeeding year	100,000	-	53,300	153,300
Interfund receivable	-	-	19,594	19,594
Due from other governments	-	-	56,459	56,459
<b>Total assets</b>	<b>347,621</b>	<b>56,876</b>	<b>355,057</b>	<b>759,554</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	-	594	594
Interfund payables	6,994	-	-	6,994
Deferred revenue:				
Succeeding year property tax	100,000	-	53,300	153,300
Total liabilities	106,994	-	53,894	160,888
Fund balances:				
Restricted for:				
Management levy	240,627	-	-	240,627
Student activities	-	56,876	-	56,876
School infrastructure	-	-	246,417	246,417
Physical plant and equipment	-	-	54,746	54,746
Total fund balances	240,627	56,876	301,163	598,666
<b>Total liabilities and fund balances</b>	<b>347,621</b>	<b>56,876</b>	<b>355,057</b>	<b>759,554</b>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Funds			Total
	Management	Student	Capital	
	Levy	Activity	Projects	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	49,811	-	387,269	437,080
Other	8,944	111,794	16,483	137,221
State sources	33	-	34	67
Total revenues	<u>58,788</u>	<u>111,794</u>	<u>403,786</u>	<u>574,368</u>
Expenditures:				
Current:				
Instruction:				
Regular	47,717	-	-	47,717
Other	-	97,906	-	97,906
Support services:				
Operation and maintenance of plant	33,156	-	-	33,156
Transportation	8,748	-	-	8,748
Other expenditures:				
Facilities acquisition	-	-	193,387	193,387
Total expenditures	<u>89,621</u>	<u>97,906</u>	<u>193,387</u>	<u>380,914</u>
Excess (deficiency) of revenues over (under) expenditures	(30,833)	13,888	210,399	193,454
Other financing sources (uses):				
Operating transfers out	-	(26,629)	(25,000)	(51,629)
Net change in fund balances	(30,833)	(12,741)	185,399	141,825
Fund balances beginning of year, as restated	<u>271,460</u>	<u>69,617</u>	<u>115,764</u>	<u>456,841</u>
Fund balances end of year	<u><u>240,627</u></u>	<u><u>56,876</u></u>	<u><u>301,163</u></u>	<u><u>598,666</u></u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2011

	Enterprise Funds		
	School		Total
	Nutrition	Preschool	
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	42,908	-	42,908
Due from other governments	4,263	-	4,263
Inventories	7,260	-	7,260
Capital assets, net of accumulated depreciation	21,596	-	21,596
	<u>76,027</u>	<u>-</u>	<u>76,027</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Accounts payable	1,415	-	1,415
Deferred revenue	2,714	-	2,714
Net OPEB liability	677	-	677
	<u>4,806</u>	<u>-</u>	<u>4,806</u>
<b>Total liabilities</b>			
<b>Net assets</b>			
Invested in capital assets	21,596	-	21,596
Unrestricted	49,625	-	49,625
	<u>71,221</u>	<u>-</u>	<u>71,221</u>
<b>Total net assets</b>			

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	104,144	-	104,144
Operating expenses:			
Non-instructional programs:			
Salaries	74,395	-	74,395
Benefits	16,152	-	16,152
Purchased services	2,399	-	2,399
Supplies	122,206	-	122,206
Depreciation	12,646	-	12,646
Other	1,307	-	1,307
Total operating expenses	229,105	-	229,105
Operating income (loss)	(124,961)	-	(124,961)
Non-operating revenues:			
State sources	2,309	-	2,309
Federal sources	141,090	-	141,090
Interest income	111	-	111
Total non-operating revenues	143,510	-	143,510
Income (loss) before transfers	18,549	-	18,549
Transfers in (out)	-	(26,897)	(26,897)
Change in net assets	18,549	(26,897)	(8,348)
Net assets beginning of year	52,672	26,897	79,569
Net assets end of year	71,221	-	71,221

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2011

	Enterprise Funds		Total
	School Nutrition	Preschool	
	\$	\$	\$
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	104,530	-	104,530
Cash received from preschool services	-	15,190	15,190
Cash payments to employees for services	(90,179)	(7,141)	(97,320)
Cash payments to suppliers for goods or services	(116,955)	-	(116,955)
Net cash (used) provided by operating activities	<u>(102,604)</u>	<u>8,049</u>	<u>(94,555)</u>
<b>Cash flows from non-capital financing activities:</b>			
Interfund loan received (repaid)	(335)	-	(335)
Transfers from (to) other funds	-	(26,897)	(26,897)
State grants received	2,309	-	2,309
Federal grants received	124,786	-	124,786
Net cash (used) provided by non-capital financing activities	<u>126,760</u>	<u>(26,897)</u>	<u>99,863</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	<u>(4,538)</u>	<u>-</u>	<u>(4,538)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	<u>111</u>	<u>-</u>	<u>111</u>
Net increase (decrease) in cash and cash equivalents	19,729	(18,848)	881
Cash and cash equivalents at beginning of year	<u>23,179</u>	<u>18,848</u>	<u>42,027</u>
Cash and cash equivalents at end of year	<u><u>42,908</u></u>	<u><u>-</u></u>	<u><u>42,908</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>			
Operating income (loss)	(124,961)	-	(124,961)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	12,041	-	12,041
Depreciation	12,646	-	12,646
Decrease (increase) in inventories	(4,499)	-	(4,499)
Decrease (increase) in accounts receivable	112	15,190	15,302
(Decrease) increase in accounts payable	1,415	-	1,415
(Decrease) increase in salaries and benefits payable	-	(6,986)	(6,986)
(Decrease) increase in deferred revenue	274	-	274
(Decrease) increase in other postemployment benefits	368	(155)	213
Net cash (used) provided by operating activities	<u>(102,604)</u>	<u>8,049</u>	<u>(94,555)</u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>	\$	\$	\$
Cash and pooled investments	177,358	47,749	225,107
Receivables:			
Property tax:			
Delinquent	-	597	597
Succeeding year	-	53,300	53,300
Interfund receivable	12,600	6,994	19,594
Due from other governments	56,459	-	56,459
<b>Total assets</b>	<u>246,417</u>	<u>108,640</u>	<u>355,057</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	-	594	594
Deferred revenue:			
Succeeding year property tax	-	53,300	53,300
Total liabilities	<u>-</u>	<u>53,894</u>	<u>53,894</u>
Fund balances:			
Restricted for:			
School infrastructure	246,417	-	246,417
Physical plant and equipment	-	54,746	54,746
Total fund balances	<u>246,417</u>	<u>54,746</u>	<u>301,163</u>
<b>Total liabilities and fund balances</b>	<u>246,417</u>	<u>108,640</u>	<u>355,057</u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Projects Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	336,301	50,968	387,269
Other	1,274	15,209	16,483
State sources	-	34	34
Total revenues	<u>337,575</u>	<u>66,211</u>	<u>403,786</u>
Expenditures:			
Other expenditures:			
Facilities acquisition	<u>126,924</u>	<u>66,463</u>	<u>193,387</u>
Excess (deficiency) of revenues over (under) expenditures	210,651	(252)	210,399
Other financing sources (uses):			
Operating transfers out	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund balance	185,651	(252)	185,399
Fund balances beginning of year, as restated	<u>60,766</u>	<u>54,998</u>	<u>115,764</u>
Fund balance end of year	<u><u>246,417</u></u>	<u><u>54,746</u></u>	<u><u>301,163</u></u>

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

Account	Balance	Revenues	Expenditures	Interfund	Balance End
	Beginning of				
	\$	\$	\$	\$	\$
Interest	1,515	495	156	-	1,854
Cheerleaders	826	581	465	-	942
MS the loft	142	-	-	-	142
MS renaissance	737	-	-	-	737
MS student council	3,824	2,998	1,971	-	4,851
MS athletic fundraiser	-	2,430	2,215	-	215
Yearbook	2,557	8,514	6,325	-	4,746
HS play	2,184	2,560	2,358	-	2,386
HS athletics	17,352	36,059	38,339	-	15,072
Speech and drama club	1,693	3,289	2,794	-	2,188
Chess club	100	-	-	-	100
Drill team	2,855	3,697	4,122	-	2,430
Wolverine's den	258	-	-	-	258
HS renaissance	396	1,063	1,163	-	296
FFA	144	-	-	-	144
FCLLA	1,408	3,744	2,973	-	2,179
European trip (music fundraiser)	1,169	-	-	-	1,169
Art club	909	2,900	2,346	-	1,463
Spanish club	749	786	1,232	-	303
Quiz bowl club	95	-	-	-	95
Industrial arts club	176	-	-	-	176
Physics club	2	2,205	2,205	-	2
Scholarship banquet fund	229	-	84	-	145
Class of 2008	2,433	-	-	-	2,433
Class of 2007	113	-	-	-	113
Class of 2009	1,598	-	-	-	1,598
Class of 2010	2,324	-	-	-	2,324
Class of 2011	1,896	-	863	-	1,033
Class of 2012	50	8,023	5,410	-	2,663
National Honor Society	189	496	189	-	496
Elementary student council	14,201	20,601	11,000	(23,802)	-
Bookfair	2,617	210	-	(2,827)	-
HS student council	1,596	3,293	4,526	-	363
HS concessions	3,280	7,850	7,170	-	3,960
Total	69,617	111,794	97,906	(26,629)	56,876

## RIVER VALLEY COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	2,613,481	2,526,459	2,417,583	2,265,958	2,278,570	2,227,034	2,230,236	2,387,053
Tuition	204,309	254,721	177,722	223,539	301,341	246,451	238,173	244,964
Other	247,344	174,842	179,499	354,908	427,305	278,939	206,636	174,671
State sources	2,122,338	1,857,266	2,184,403	2,232,509	2,192,651	2,132,425	2,001,669	1,802,142
Federal sources	358,152	493,993	160,488	176,490	196,345	302,767	259,519	276,718
Total revenues	<u>5,545,624</u>	<u>5,307,281</u>	<u>5,119,695</u>	<u>5,253,404</u>	<u>5,396,212</u>	<u>5,187,616</u>	<u>4,936,233</u>	<u>4,885,548</u>
Expenditures:								
Instruction:								
Regular instruction	2,205,906	2,108,279	2,037,216	1,944,412	1,920,175	1,769,689	1,846,735	1,754,209
Special instruction	424,155	454,213	421,213	510,303	446,991	427,012	490,293	531,211
Other instruction	455,672	476,414	418,006	408,715	369,982	403,151	200,160	217,482
Support services:								
Student services	79,222	58,355	98,241	102,426	96,769	97,475	97,235	100,084
Instructional staff services	125,939	117,119	153,551	124,290	140,435	116,141	122,843	98,800
Administration services	511,631	522,926	495,412	466,908	484,887	485,354	605,385	536,916
Operation and maintenance	383,344	473,878	406,890	405,727	391,297	384,718	335,493	380,176
Transportation services	383,032	206,337	191,478	248,339	306,551	261,357	365,048	168,773
Non-instructional programs	-	6,391	-	-	-	4,082	-	255
Other expenditures:								
Facilities acquisition	193,387	715,152	437,426	351,988	119,938	128,434	220,647	316,607
Long-term debt:								
Principal	345,000	330,000	320,000	4,100,000	275,000	265,000	255,000	259,307
Interest and other charges	127,650	140,800	153,600	349,060	361,648	363,776	232,898	245,553
AEA flowthrough	184,215	183,449	161,318	157,847	155,881	149,751	147,634	150,193
Total expenditures	<u>5,419,153</u>	<u>5,793,313</u>	<u>5,294,351</u>	<u>9,170,015</u>	<u>5,069,554</u>	<u>4,855,940</u>	<u>4,919,371</u>	<u>4,759,566</u>

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 11-I-A and 11-I-B to be material weaknesses.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

February 28, 2012

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal control deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- 11-II-A Certified Budget: Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the other expenditures functions.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 11-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 11-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 11-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 11-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 11-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 11-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 11-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 11-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 11-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 11-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$ 60,766
Revenues/transfers in:		
Statewide sales, services and use tax revenue	336,301	
Interest	139	
Donations	<u>1,135</u>	337,575
Expenditures/transfers out:		
School infrastructure construction	98,338	
Equipment	28,586	
Transfers to debt service fund	<u>25,000</u>	<u>151,924</u>
Ending balance		<u>246,417</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	\$	\$
Debt service levy	.16126	25,000

11-II-M Old outstanding checks: We noted that the District's bank reconciliations included approximately \$3,300 of old outstanding checks. Iowa Code Section 566 specifies that holders of unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

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

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

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

Conclusion: Response accepted.

11-II-N Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. Per a review of Student Activity Accounts we noted accounts for classes that had graduated. These accounts should have been transferred to other student activity accounts.

Recommendation: The District should review inactive accounts in the Student Activity Fund and transfer the balances to other Student Activity Fund Accounts.

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

Conclusion: Response accepted.

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

We noted that the District has several interfund loan balances that are over one year old. These balances are the result of previous year-end financial statement adjustments.

Recommendation: The balances should be repaid immediately. The District should follow the Declaratory Order with respect to future interfund loans.

District Response: We will repay the interfund loans immediately.

Conclusion: Response accepted.